

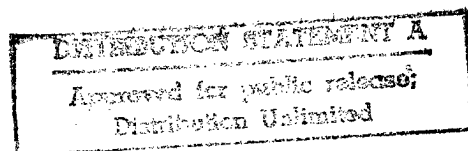
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27 August 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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27 August 1984

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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CZECHOSLOVAKIA

JAKUBEC URGES LIBERALIZATION OF TRADE BY EEC

Duesseldorf HANDELSBLATT in German 10 Jul 84 p 3

/Text/ In times of worldwide economic recession, even stagnation of trade between two countries can be considered a success. This is the view Jaroslav Jakubec, deputy foreign trade minister of Czechoslovakia, expressed in an interview with HANDELSBLATT.

Under no circumstances would he consider the stagnation, primarily in 1981/82, the result of declining Czechoslovak competitiveness, he said, although increased productivity could be achieved "chiefly in the area of machine construction." At the same time, he pointed out, trade between his country and the FRG had expanded by 4 percent in 1983. The first few months of 1984 also showed a slightly upward trend. The stated goal remains to balance foreign trade and to permit imports only to the extent that this is in line with export developments. This is also in harmony with the goal of government policies to reduce Czechoslovakia's debts, stated Jakubec.

The minister expects trade earnings to come principally from an expansion of Czechoslovak exports of machinery, the more efficient utilization of cooperation in the production area and cooperation in third-country markets. This, however, would require a gradual improvement in Czechoslovakia's unfavorable export balance vis-a-vis the FRG. He complained that the quantitative import restrictions imposed by the EEC have a negative impact on CSSR export opportunities. At the same time, troublesome changes in trade policies, such as the expansion of the Cocom embargo list, have put pressure on Czechoslovakia's ability to import, Jakubec emphasized.

The CSSR currently has 41 "genuine" cooperation agreements with enterprises in the FRG. This is more than 40 percent of all production cooperation agreements signed with Western industrial countries. Despite this high share, Czechoslovak shipments under these agreements constitute only 2 percent of total trade with the FRG, "a result we must consider unsatisfactory and which, at the same time, points to the existence of reserves on both sides," as Jakubec put it.

Negative Effects of Import Restrictions on Trade

From the Czechoslovak point of view, domestic companies should show more flexibility in such cooperative undertakings, and that, past experience has demonstrated, should be feasible. The FRG partner is accused of being mainly interested in

cooperative efforts that "permit the supply under cooperation agreements of energy and raw-material intensive products." Jakubec pointed out that the CSSR uses the concept of cooperation in a "puritanical" way, and the category does not include either job-processing or compensation agreements.

The minister believes cooperation in third-country markets is developing in a positive way, "especially as far as the participation of FRG firms in Czechoslovak shipments to these markets is concerned." Since 1980, such shipments reached DM 1.85 billion, and for 1984, the share is expected to be DM 600 million. "These figures may come as a surprise," Minister Jakubec said, "because they are not reflected in CSSR import statistics and underline the importance of the CSSR as a trading partner of the FRG."

Unfortunately, the FRG firms didn't make any overtures with regard to CSSR exports to third-country markets, Jakubec lamented. He said that, with regard to third-country cooperation, the ratio of CSSR orders to those of the FRG is currently between 8-10:1. He is, however, expecting a significant improvement, he said.

EEC Expansion to the South Brings New Difficulties

In this connection, in particular, the CSSR foreign trade ministry considers the work of the mixed commission as positive. The efforts of the machine construction and metallurgy committee, in particular, have yielded concrete results. The most recent meeting in June 1984 examined about 20 proposals for production cooperation. First results are also emerging in the Working Group on Chemicals and Energy, whereas the work of the electronics and electrical engineering group remains unsatisfactory from the Czechoslovak point of view, he noted. "Here, the West German corporations like to keep things close to their chest and prefer bilateral negotiations," commented Jakubec.

The CSSR is a founding member of GATT and, therefore, is enjoying most-favored-nation status. The EEC--according to Jakubec--does recognize this de jure, but de facto it is applying a variety of discriminatory measures against Czechoslovakia, especially with regard to such traditional export products as glassware, ceramics, china, electromotors, furniture, automobiles and also several chemical products, e.g., aluminum sulfates. Some of these restrictions apply to the entire EEC area, others only to specific countries. Jakubec believes that this is a genuine obstacle to exports since a number of the quotas are disproportionately low and, in addition, are not being applied to other countries in the same way as they are being applied to the CSSR.

The planned expansion of the EEC to the south is expected to result in more problems. The accession of Greece has already proven to have negative effects, he said. Greece had to cancel its clearing agreement with the CSSR and introduce new quantitative restrictions. The agricultural policies of the EEC have made it impossible for Czechoslovakia to continue its traditional export of milk products. "The EEC should give some thought to the fact that it cannot support trade within that grouping and the EFTA [European Free Trade Association] only, but should also work out, and put into effect, a program to liberalize trade with the socialist countries," Jakubec said. He added that it wasn't just that the CSSR was the only direct neighbor of the EEC which doesn't enjoy any preferences, but that it was also being discriminated against.

MAJOR FUNCTION OF TRADE UNIONS DEFINED

Prague SVET PRACE in Czech 6 Jul 84 p 11

[Article by Eng Ladislav Safranek, CSc, Central Council of Trade Unions:
"Educational Function of Trade Unions"]

[Text] The Revolutionary Trade Union Movement [ROH] strives for a balanced, dialectical development of all functions of the work collective. It lays great emphasis on its educational function. As the 10th All-Trade Union Congress stressed, "trade union sections, brigades of socialist labor and other collectives are the best educator, a collective teacher who forms man, his thinking, will and action. Education in the work collectives is the basis of all educational activities by ROH."

We in ROH proceed from the premise that the work collective not only is the producer of utils in the interest of the entire society, but also participates in the creation of a social climate in the workplaces and thus affects the establishment of socialist human relations at the same time.

The purpose of educational work is to affect people's thinking, feelings, behavior and actions, and thus to win them over to the setting and active fulfillment of tasks in the developed socialist society. This calls for making use (on the basis of their knowledge) of material, political, ideological and moral motives affecting the workers' activity. The ROH officials should therefore systematically familiarize themselves with people's views, their problems and joys, and take them into account in their activity. A sensitive approach to people, to the solution of their problems, to the satisfaction of their needs and interests is often of decisive importance to people's thinking, their feelings and consequently also to their activity and creative initiative in the fulfillment of tasks in their workplace, in political, public and private life.

It is precisely the ROH officials who should be among the protagonists of unofficial norms of action--comradely relations within the collective--which represent the actual reality markedly affecting the collective's attitude toward the set tasks. They are reflected in the willingness to discover and make use of reserves of increasing production, labor productivity, quality and efficiency.

ROH educational work, however, consists not only of the simple utilization of well-known motives of human activity for the development of worker initiative and commitment, but also of their conscious formation and control over them. To affect the people's needs and interests, to create their committed attitude toward the society, to develop and strengthen the socialist consciousness--here lies the active role of the work collective's educational function. The most important tasks are:

--to win over the workers for the conscious and voluntary discovering and utilization of reserves, adoption of the more demanding targets, adoption and application of progressive and efficient work methods, technologies, rationalization measures and so on;

--to guide people to the purposeful, planned and collective discovery of new elements of the work and production process, including their introduction and popularization in practice;

--to create an atmosphere of mutually demanding requirements and responsibility for the common cause, to consolidate the friendly relations and elements of collectivism which are reflected primarily in the individual's work and moral qualities, in comradely assistance and mutual cooperation.

The principal goal of trade unions is to implement, through the permanent activity of all members, the resolutions of the 16th CPCZ Congress, 10th All-Trade Union Congress, individual plenary meetings of the CPCZ Central Committee and Central Council of Trade Unions. Principal attention is focused on the key unit of the trade union organizational structure, which is the plant, the work collective. It is precisely here that favorable conditions must be created for the expansion of the ROH educational function. In the first place, the trade union sections make it possible for the collective, in accordance with the increased role of work collectives in the education of the socialistically thinking and acting man, to carry out its organizing, political and ideological education. This is indicated by the results of the political educational project "For the Development of Socialist Education," which is organized today in the most basic ROH organizations and their trade union sections and significantly contributes to their economic and professional knowledge and further promotes the cultural, sports and hobby activities of workers.

The most advanced work collectives in our country are the brigades of socialist labor [BSP], which combine economic, social and educational activities.

By the end of 1982, the BSP movement included 208,896 collectives with 2,863,931 members, that is, 39.6 percent of the workers in the CSSR. Naturally, all these collectives do not meet and objectively even cannot meet at the present time all requirements of the comprehensively conceived educational function of the work collective. A similar situation with regard to education prevails in the trade union sections. This, however, must not lead to nihilism, to the weakening of effort on the part of the trade union organs and organizations to improve and further expand educational

activity. The fundamental problem can be formulated as a search for appropriate methods, forms and means of educational work in the collective primarily from the standpoint of training cadres for this activity, for mastering the methodology of educational work.

This has been confirmed, for example, by the survey of schools of socialist labor [SSP] in 39 ROH basic organizations of the trade union federation of workers in the textile, garment and leather industry that was conducted in February of this year. Of 1,843 SSP students surveyed (1,645 of whom were SSP members), 83.1 percent regarded instruction as always or mostly interesting and 78.2 percent as closely linked to practice. In the view of 16.4 percent of the students, instruction contributed to the political and moral consolidation of the collective, while 74.9 percent of the students surveyed stated that instruction in schools of socialist labor contributed to the more conscientious and more efficient fulfillment of production tasks particularly with regard to compliance with the qualitative indicators. In search of the answer to the question how to improve the level and efficiency of instruction in SSP's, most students (40.9 percent) asked for more practical demonstrations, excursions [to industrial plants] and so on, particularly for the elucidation of specific questions of economic and social policy and instruction on innovative methods of work. This answer is close to the view of 39.1 percent of the students surveyed, who see a possibility for increasing the efficiency of instruction in establishing closer ties to the life and work of their collective. This means that a full 80 percent of students regard the SSP as an important tool for the systematic political and economic education of workers. Its efficiency to a considerable extent depends upon the concrete, specific nature and applicability of exposition, for which the personality and ability of the propagandist is of key importance. The fact that only 51.7 percent of propagandists speak in concrete terms and are able to combine instruction with the needs, life and work of the collective must be disturbing (and must lead to the adoption of effective measures).

We reach similar conclusions when we analyze the activity of section stewards for ideological education and cultural work, who are in charge of organizing and carrying out the ROH educational function in their section. The development and use of the educational function of the work collective as an integral part of the process of increasing its role in the socialist society to a considerable extent depends on how successful the ROH organs and organizations will be in improving and intensifying professional, political and particularly methodological training of cadres for this activity.

10501

CSO: 2400/363

MANAGEMENT OF SOIL RESOURCES EVALUATED

Bratislava EKONOMIKA POLNOSOSPODARSTVA in Czech No 7, 1984 pp 294-296

[Article by Eng Jiri Pokorny, Committee of People's Control of the CSSR:
"More Consistent Protection and Use of Our Soil Resources"]

[Text] The 15th and 16th CPCZ congresses stressed protection, proper utilization and improvement of our soil resources as irreplaceable means of production.

In order to protect effectively our agricultural soil resources, the law on protection of agricultural soil resources was amended in 1976. The amendment to Law No 124/1976 of the SBIRKA reemphasized agricultural soil resources as the earth's greatest natural treasures; their proper use makes it possible to achieve self-sufficiency in the production of basic food. Therefore, protection, improvement and utilization of agricultural soil resources are among the foremost tasks in the development of our society.

Consistent implementation of this law was expected to curtail considerably the losses of our agricultural lands. The amendment to the law and other regulations notwithstanding, not only have the losses of agricultural soil not declined, they have even increased.

In the Fifth 5-Year Plan, 88,914 hectares of agricultural soil were lost, and in the Sixth 5-Year Plan those losses amounted to as much as 152,890 hectares. Total reported permanent losses in the 1971-1980 period in the CSSR reached the disturbing amount of 241,804 hectares, including 90,278 hectares of agricultural land in the CSR and 151,526 hectares in the SSR.

In view of the current development and of the situation of our agricultural soil resources, it was imperative to adopt stringent measures in order to prevent further losses of our agricultural--and in particular, arable--lands and to ensure stabilization of our soil resources in the coming years and exploitation of all lands for agricultural production.

The measures were adopted by CSSR Government Decision No 292 of 22 October 1981 on the basis of the discussion of the report by the Committee of People's Control of the CSSR and the report by the CSSR Ministry of Agriculture and Food.

A marked turn in the protection of our agricultural soil resources took place in a relatively brief period. Our party and state agencies and communications media deserve credit for creating an atmosphere where the importance of agricultural resources and of their protection and use appeared in the forefront of attention of our entire society.

Restrictive measures for the protection of agricultural resources stipulated by CSSR Government Decision No 282/1981, and subsequently by decisions of the governments of both republics, are now beginning to be enforced.

It is now mandatory to replace lands released from agricultural soil resources by the same acreage of recultivated lands from temporarily uncultivated or non-agricultural soil. Therefore, the price of agricultural land removed from agricultural protection is very high. National committee agencies for the protection of agricultural soil resources are issuing more responsible decisions concerning the removal of agricultural land [from cultivation] and are imposing penalties for violations of the law. The ministries of agriculture and food are paying considerably more attention to the problems of agricultural land protection.

As compared with the average annual loss in the Sixth 5-Year Plan, the losses of our agricultural soil declined in 1982 by about 90 percent. While in 1976-1979 the permanent loss of agricultural soil resources in the CSSR (after compensation by its increases) amounted annually on the average to 20,094 hectares of agricultural land--of which the average annual loss in the CSR was 12,520 hectares and in the SSR 7,674 hectares of agricultural land--in 1982 our agricultural soil resources were permanently diminished (after compensation by its increases) by only 2,372 hectares of agricultural land, of which 3,739 hectares were lost in the CSR and 1,376 hectares of agricultural land were added in the SSR.

According to the purpose of their exploitation, most lands in the CSSR were diminished due to afforestation (from 9,475 hectares--annual average for 1976-1979--to 1,613 hectares), to transfer to the category "devastated and waterlogged areas" (from 11,196 hectares to 2,946 hectares), and to capital investment (from 7,056 hectares to 4,023 hectares). Losses of highly protected lands have also been successfully reduced; in 1982 their losses amounted to approximately 550 hectares, as compared with about 1,500 hectares of average natural losses of such lands in the past.

A great many small and diffused lots and areas unsuitable for mass production were transferred to organization and citizens who are now beginning intensive cultivation of such lands. Part of agricultural lands incorrectly transferred to the category of "forest land" have also been returned to agricultural soil resources.

Despite such a development, however, numerous shortcomings are still in evidence; there have been efforts to circumvent stringent regulations on the protection and use of agricultural soil resources. All stipulations of the measures whose consistent implementation would lead to even more remarkable results in the protection and use of our agricultural soil resources have not been quite properly implemented in every okres.

Most chronic drawbacks stem from the fact that transfers of lands between agricultural and forest soil resources have not been fully resolved and finalized. The transfer of 41,706 hectares of agricultural land to forest land in the SSR was scheduled for a review of its justification, in order to return those lands to agricultural cultivation in every instance where such a transfer had been ordered without proper objective grounds. Thus far this task has not been completed in every okres.

For example, cases of unwarranted exclusion have been ascertained in the Trnava, Martin, Cadca, Bardejov, Rimavska Sobota, Humenne, Presov and other okreses.

About 12,000 hectares of agricultural land have been earmarked for transfer to forest land in the CSR since 1978, but almost 5,000 hectares have not been taken over by forest organizations, and thus those lands have been economically wasted for the past 2 to 4 years.

Example: In Gottwaldov Okres, despite a reassessment of agricultural land proposed for transfer to forest land at the time of agricultural and forest land survey, no definite decision was made about 672.69 hectares as of 31 December 1982. That land is wasted. In Sumperk Okres 895.53 hectares (declared forest soil resources in 1979-1981) have not been transferred to forest management organizations. Similarly, forest organizations in Svitavy Okres failed to take over 104 hectares of land.

Such shortcomings are due to the fact that our agricultural enterprises have failed to make adequate inventories of agricultural land in 1978-1980. A number of agricultural enterprises did not make the real estate survey responsibly and approached it only in order to get rid of their less fertile lands by reclassifying them as "other areas," in the DNP [temporarily uncultivated soil] category, or among "other cultures." Their work suffered from superficiality, inconsistency and formalism. Contrary to all instructions, all enterprises did not make a real estate survey; discrepancies with records of the real estate register have been neither studied on the spot nor resolved. Furthermore, authorities of the ZPF [agricultural soil resources] were not adequately prepared for this program and have underestimated the scope and the challenge of such operations. In most cases all they did was make decisions about the reported changes of cultivation; however, they failed to check the accuracy of the completed real estate surveys, as confirmed by discrepancies revealed by officials of the Geodesy and Cartography Office during their survey in the field.

It was disclosed that in 1981-1982, 22,880 [hectares of] land recorded in real estate registers as "other cultures" had been used as arable land, 30,642 hectares of land registered as arable land has been used for different purposes, and 17,611 hectares of agricultural land had not been used for agricultural purposes at all. In the SSR it was determined that as of 1 January 1983 a total of 27,465 changes had been made without permit on 9,734 hectares.

Thus far the officials of ZPF protection have not resolved an overwhelming part of such discrepancies, and many agricultural enterprises are using agricultural lands for different purposes than reported in the real estate register, or they are not using them at all.

Temporarily uncultivated land is being returned to agricultural cultivation very slowly. In 1980 this acreage amounted to 106,472 hectares, with 102,407 hectares added to this category as of 1 January 1983. Although on the whole temporarily uncultivated land is not increasing (in 1982 it was reported that such areas had decreased by 899 hectares, i.e., from 103,306 hectares to 102,407 hectares), no fundamental improvement has been achieved.

Such land increased by 395 hectares in all krajs of the SSR. Although in the CSR such uncultivated land decreased by 1,294 hectares, in locations with the greatest concentration of those areas (in South Bohemia and the West Bohemia krajs) their decrease was only slight, while in the North Moravia, North Bohemia and Central Bohemia krajs they increased. One of the principal reasons for the assignment of agricultural land to DNP and for the lengthy process of their return to cultivation is that this land is waterlogged, occasionally even flooded because of insufficient or delayed flood control of flowing waters (rivers, creeks and brooks). In many such areas riverbeds must be deepened, silt dredged and waterlines of those flows lowered before the lands can be recultivated. However, flood control was either inadequate or too late, and in such cases agricultural enterprises could not recultivate those areas; thus, DNP kept increasing in many okreses even in 1982.

Example: In 1982 DNP increased in the Central Bohemia kraj by an additional 175 hectares and decreased in only 4 of 12 okreses. This was due to the poor conditions of unchanneled brooks and rivers that are flooding the land. In Kladno Okres 430 hectares of agricultural soil are classified as DNP; in most cases those are flooded areas surrounding unchanneled brooks. Similarly, in Roznava Okres unfinished flood control of some rivers and their tributaries has prevented full use of agricultural land.

Nevertheless, even agricultural enterprises have often failed to show concern for continuous fertility of every land under their management. Their disregard for this essential duty is the reason why some lands suffer from natural deposits, floods and devastation. Then the agricultural enterprises request that such lands be reclassified as "other areas" or as DNP. In terms of economy it is more advantageous for our agricultural enterprises to increase production on the cultivated areas than to release financial assets for the recultivation of such inferior lands.

The fact that the officials of ZPF protection are not consistent in checking [the implementation of] the issued decisions right on the spot also contributes to this undesirable situation, and this is the weakest link in the protection and exploitation of our soil. They also fail to impose appropriate penalties, especially in cases where agricultural enterprises do not cultivate their lands.

The purpose of the regulations adopted thus far was more rigorous protection of our agricultural lands in order to reduce their losses markedly and gradually stabilize our soil resources. As shown by the development thus far, with consistent implementation this objective may be achieved in the nearest future.

Nevertheless, the key task for this period is to cultivate intensively every acre of our agricultural soil, to reduce substantially the area of agricultural land which is temporarily untilled and which still amounts to about 100,000 hectares, and to apply appropriate mechanisms to prevent harmful intrusions on the quality and use of our land, which leads to its depreciation and to reclassification in the category of "temporarily uncultivated land" and "other areas."

9004

CSO: 2400/372

WATER LOSS EXPLAINED

Prague SVET PRACE in Slovak 6 Jul 84 p 10

[Article by Eng Architect Stefan Nemcek: "Why Does the Water Get Lost?"]

[Text] The water level has been noticeably falling in recent years not only in the natural lakes, but also in some artificial reservoirs. The bodies of water which for the millenia since their formation had a stable level suddenly begin to shrink and suffer a water loss without visible causes. The water level has recently dropped in the Nove Strbske Pleso, Skalnaté Pleso, small high mountain lakes in Vysoke Tatry and the Vihorlat volcanic mountain range in eastern Slovakia. Lately, the water level has begun to fall in the special-purpose artificial lakes in the neighborhood of Banská Stiavnica. Naturally, the lowering of the water levels adversely affects the aesthetic aspects of the environment. The mud formed on the bared lake shores becomes a breeding ground for mosquitoes. At the same time, the recreational possibilities along our lakes are being reduced.

Members of the Comprehensive Rationalization Brigade formed at the Institute for Research in Engineering Construction in Bratislava began to study the causes of this undesirable phenomenon. In this research, which lasted several years, use was made of all available information as well as of direct observations in the field. Potential but secondary causes were gradually eliminated. The records on precipitation during the last almost 100 years were the basis of the solution. It turns out that the reduced inflow of rain water into the lakes and reservoirs under observation was not to blame. Additional potential influences were therefore examined. The model tests in the laboratories carried out over a long period have revealed that the real cause of the drop in the water levels was the changes in the living environment brought about by the civilization processes. Water gets lost because the sealing clays in the embankments and barriers of high mountain lakes, which performed their function since the Ice Age or, as in the case of artificial lakes in the neighborhood of Banská Stiavnica, for centuries, suddenly lose their sealing capacity. Clay particles are set into motion by hydrostatic pressure. The penetrating water first pulls down the minute clay particles and later on also coarse sand, and the stone dike no longer seals. As the quantity and velocity of escaping water increases, water begins to flow in the dam itself, and the difference between the inflow and outflow increases. As a result, the water level begins gradually to drop.

Why have the properties of sealing clay changed? A simple laboratory test supplied the answer to this important question. Two equally long glass tubes were filled with gravel and sealing clay which we had dug out in the intact sections of dams in order to simulate the conditions in the dam barriers. We poured distilled water into the container above one tube and water from one of the existing dams into the container above the other tube. At the outset the water penetration rate was identical in both tubes. Later on, however, the flow significantly slowed down in the tube with distilled water and came to a complete stop at a height of 2 meters. In the second tube with water from the reservoir the flow continued undisturbed until the tube became completely empty after 8 days. The subsequent laboratory examination of clays from both tubes revealed the true cause of the undesirable water outflow from our lakes and reservoirs. The polluted water contains similar components, for example, liquefiers used in the chemical industry. There they are successfully used for pouring ceramic clays into plaster forms, while in the lakes they are the reason why the dikes are not sealed. The chemical composition of ceramic liquefiers and their properties resembles that of the impurities in the water of our lakes. They get there from the surface water, from the melted snow particularly in the neighborhood of highways that are sprinkled with chemicals during the winter period, or from the rain polluted by industrial fallout from the nearby industrial plants. The evaporation of water results in the concentration of pollutants, which remain in the affected lakes. If they exceed the critical level, they liquefy the sealing clays and the water level drops. Human perspiration possesses similar properties.

The explanation of how the water escapes from the lakes is simple now. The salts from melted snow, polluted rain water and excessive bathing cause the concentration of this matter in the water of lakes and reservoirs. A change in the physical properties and particularly in sealing capacities of clays in the dam embankments takes place. The process is accelerated by the excessive motor traffic on the roads built on the dam structures, where additional harm is caused by combustion exhaust, ultrasound and direct vibration of the roadway base.

These changes in the living environment are the main reason why the water level in our lakes and reservoirs continues to drop.

During the current phase of this special project members of the Comprehensive Rationalization Brigade are exploring the possibilities of resealing the dikes. The preliminary results already show that this process will be expensive and technically demanding. It is therefore more advantageous to protect the living environment than subsequently to eliminate the consequences.

10501
CSO: 2400/362

WORK, FREE TIME DISTRIBUTION VIEWED BY ACADEMY OF SCIENCES

Prague HOSPODARSKE NOVINY in Czech 6 Jul 84 pp 8-9

[Article by Jana Viteckova, PhD, CSc, Institute for Philosophy and Sociology, Czechoslovak Academy of Sciences: "Leisure Time Can Be Expanded--Key to Solution Is in Production"]

[Text] Leisure time is not only an individual need which evokes strong discontent if not met, but also a significant social value, the objective as well as the means of social and economic development. It is in the nature of science that, as knowledge expands, it tends to make some of its conclusions more problematical, bringing them into wider and more contradictory contexts. Even the problem of leisure time is not as simple and easy to solve as it might appear to be, considering some of the contributions published so far. A contrary view is asserted in this article.

The Federal Bureau of Statistics carried out in 1961, 1967 and 1979-1980 nationwide surveys with regard to the utilization of available time by the populace. Even though a comparison of these surveys is made considerably more difficult by the varying composition of the examined sets of data, varying methodology of data acquisition and use of heterogeneous classifications of activities that were considerably imperfect in the past, it is possible to deduce from the findings at least some basic, crudely outlined developmental trends.

Contradictory Development

The reduction in the length of working time called for by law from the original 46 hours per week to the current state as implemented in the late 1960's became manifested in the structure of utilization of available time by gradual reductions in the average length of job performance. It progressed faster in relation to men than women. While the differentiation in the length of working hours between men and women, known for so long and confirmed by international comparisons, still persists, the differences are getting smaller. Relations in comparison between classes are also changing. The decrease in the volume of working time progressed most

rapidly among members of cooperatives. While the difference in the recorded average working time between workers and members of cooperatives in 1961 amounted to 9 hours per week, in 1980 it dropped to 2 hours. The average length of working time per week among female members of cooperatives was and is lower than among female employees in the state sector. However, the extent of work performed by farmers in the year as a whole is somewhat expanded due to their shorter average leave.

In view of the differences in surveying methodology, an estimation of trend dynamics is less reliable than is a characterization of the present state. Keeping this in mind, it is still possible to state that reductions in the share of the process of social labor did not progress uniformly, a faster rate was achieved by groups that originally were subject to an above-average work load. A gradual equalization of the quantitative share in social labor as the basis for bringing the time structures closer together, became the determinant social trend.

Development was somewhat more complicated in the area of activities outside the social sphere, among which are included traditional housekeeping chores connected with self-service and tending to the household and its members, and all forms of household management, starting with small-scale production oriented toward sales and ending with expanding activities oriented toward pursuit of interests.

A positive consequence of the economic and social development of our society over the last 20 years is reduced demand on time to be spent by employed women on the second work shift. The most conspicuous reduction occurred in the time devoted to meal preparation--in the case of female members of cooperatives from the original 20 hours per week to 16, among female workers from 17 to 13 hours and among female employees from 14.5 to 11. Credit for this goes first of all to the changes occurring in objective social conditions, the improving availability of amenities and equipment of our households and, to a certain extent, probably also the gradual change occurring in dietary habits. Furthermore, a 1- to 2-hour share in the overall approximately 7-hour reduction in the weekly volume of household chores accrues to time savings in washing and ironing.

Nevertheless, differences among various groups of women did not undergo any substantial change. Women engaged in agriculture continue to devote the most time to households and household management, in whose case the extent of other activities coincides with the length of work in a job. Factors prolonging household chores include individual forms of habitation, size of families, care for pre-schoolers as well as keeping of cottages and cabins for weekend recreation. Women with higher education, performing more highly qualified work, particularly mental work, meet their household duties more efficiently, to a certain extent.

On the contrary, participation in household chores and household management increased somewhat in the case of men, particularly through increases in the time devoted to the maintenance of motor vehicles, improvement and maintenance of housing and recreational facilities, proliferation of

gardening and keeping of animals. Among male workers and employees the volume of other activities showed an average increase of approximately 2.5 to 3 hours per week. The volume of household chores increased by more than 5 hours in the case of male members of cooperatives, where favorable conditions for such a development were created by the more rapidly progressing reduction in social working time.

The classifications of activities used in the survey conducted by the Federal Bureau of Statistics do not make it possible to quantify the extent to which this shift is shared in by increases in activities oriented toward the pursuit of hobbies and interests. No independent monitoring was done in the past surveys of small-plot gardening, pursuits like needlework and other manual hobbies and the relevant activities were incorporated into various items relating to household chores. According to the 1979-1980 survey, employed men devote an average of 1.5 hours per week to them, women somewhat more. From these figures alone it is obvious that the expansion of activities in pursuit of interests cannot explain the entire increment in individual work, in which an important role is played by objective necessity occasioned by the absence of social alternatives.

The very problem of the position and role of activities in the pursuit of interests remains unresolved. In some theoretical concepts it is characterized as an element of leisure time. In others, which reacted more sensitively to the complexity of free time and the apparent contradiction in terms, it is designated by the now almost forgotten term "semifree time." In my opinion, two facts are of essence with regard to our relation to individual activity in the pursuit of interests. First of all it is the fact that the extent of activities in which a worker develops interest is constantly increasing. With changes in the social distribution of labor, the share of work activities which can change and actually do change into hobbies will continue to increase, even in the sphere of social labor.

The expansion of hobby elements in the complex of household chores and household management, not only in tending to the garden, but also, e.g., in cooking done by men, is a part of a more general process and must also be assessed as such. Second of all, even work performed in the pursuit of interests still remains work, the creation or maintenance of values, little productive though it may be at times. As such it enters the realm of the social process of economic renewal and generation of society's material standard of living. For that reason I deem it not only justified but indispensable to include it in an individual's total work load and society's total working time.

According to the results of the compared nationwide surveys of available working time, such a broadly defined work load, combining social as well as individual labor, shows a contradictory development. In the case of women it decreases overall more rapidly than the volume of work for society. As a consequence of movements in opposite directions, in the case of men the total work load showed almost no change over the past 20 years, with the exception of members of cooperatives. Nevertheless, the reduction in total

working time in the case of the latter is also smaller than it would be according to changes in social labor. Thus, in the total work load there appears a tendency toward the suppression of extremes and equalization in absolute volume and internal structure by increasing the share of social labor for women and increasing the share of individual labor for men.

Those Transportation Woes

The amount of free time is reduced by the demands posed by transportation. Despite the dynamic development of individual automotive transportation and the investments expended on public transportation, an unfavorable aspect of past development is the increasing average time required for commuting to work, particularly in smaller communities and in metropolitan areas. Economically active men spent in 1979-1980 an average of 5.75 hours per week commuting to and from work, women 4 hours and 36 minutes. However, transportation demands are also increasing in other areas of activity, over the last several years particularly in connection with expanding recreational trips. Men expended a total of more than 8 hours and women more than 7 hours per week on travel over long distances.

The development of leisure time has also been affected by another, lesser known tendency toward prolonging the length of sleep and the time devoted to meals, hygiene, medical treatment, particularly in groups that under the pressure of time used to limit the satisfaction of their biological and physical needs. At the present time the average length of sleep among the economically active population slightly exceeds 53 hours per week; however, it decreases to a mere 7 hours and 10 minutes on work days. Both in international comparison and in comparison with our economically inactive populace, the conclusion that with a gradual relaxation of tight time schedules this trend will keep continuing, is warranted.

Different Pace and Direction

An answer to the question of what changes occurred in the amount of leisure time in this situation cannot be unequivocally expressed in figures. The reason is, first of all, that the theory of free time still shows no consensus as to the thematical content of that term. The prevalent residual concept, according to which everything that remains after subtracting "necessary" activities is free time, leaves room for variability of interpretation, depending on the concept of necessity and freedom. Thus, figures about free time can be interpreted only if we know the scope of the operational definition used.

The already mentioned differences in the classification of activities used in individual surveys conducted by the Federal Bureau of Statistics makes it impossible for us to find an identical basis for a definition of the time series. We can make an attempt at estimating the developmental trend only with the awareness of the partial quantitative inaccuracies and, moreover, only with a relatively narrow delineation of free time while eliminating work not performed for pay and work performed in pursuit of interests. However, this reduction forced on us by circumstances is not

entirely unjustified, because even in this narrower concept are included all basic leisure time activities that stimulate physical and mental development, the promotion of which is in keeping with societal interests. The basic trends attendant to development in the amount of free time follow from the logic of the previous findings. The amount of free time increased over the past 20 years in the case of employed women by approximately 3 to 3.5 hours per week; the free time of cooperative members also increased on the average by approximately 1 hour. However, the data obtained for male workers and employees must be interpreted as denoting a decrease in the amount of free time, in the extreme case, giving due consideration to potential measuring errors, as stagnation with a tendency toward a decrease.

If we add, for the sake of those who are not satisfied with the performed reduction of activities, to the quoted numbers work performed for no pay and in pursuit of interests, the absolute values of the volume of free time will show an increase by approximately 2 hours. Nevertheless, the nature of social differentiation in the amount of free time will show little change. The economically inactive populace enjoys more free time than the working populace, an advantage accruing mainly to young people. Women have nine fewer hours of free time than men, but the disparity is gradually becoming balanced. Persons engaged in metal work generate for themselves somewhat more leisure time than do workers, the lowest values being registered for persons engaged in agriculture.

The point is not juggling numbers, even though they can differ from author to author. Differences in definitions will not alter the fact that, according to the compared data, changes in the structure of human activities are not progressing at rates and in directions that are desirable. Free time meets its social functions to the extent to which it is not only a time of rest, but, to put it in Marx' words, "a time for full development of the individual, providing feedback in the form of the greatest productive force to the productive force of labor." However, the contemporary structure of free time shows one-sided dominance by the function of relaxation. Predominant among free time activities are relatively passive and individual forms, particularly watching television, to which employed men devote approximately 12.75 hours per week and women almost 10 hours. Even with the broadest delineation of free time, the share of television watching ranges in individual groups of the economically active population between 34-42 percent.

Only a very small share, showing a decreasing tendency to boot, is devoted in average time structures to all the more demanding, socially involved and personal activities such as self-education, public activity, reading, and more demanding cultural and artistic interests. For example, the amount of time devoted to reading dropped in the case of men by at least 2.5 hours, by 1 hour in the case of women. The expanding social conditions for enrichment and all-round enjoyment of the experience of living are actively used by only a minor part of the working public. The free time structure of the youngest generation is relatively richer and more frank.

The stimulus for enrichment of life's activities is primarily a higher level of education and performance of work involving a high share of creative elements. For example, among college- and university-trained personnel there is occurring a multiple increase in participation in various forms of education and self-education. In comparison to skilled workers, who devoted an average of 28 minutes per week to education and self-education, the extent of educational activities among college graduates increased to 2 hours and 22 minutes. Social restrictions imposed by the attained degree of development of the social division of labor are therefore also a significant limiting factor for achieving desirable changes in leisure time.

Questioning Expansion of Free Time

Free time can and must be expanded, because that is in keeping with the needs, interests and objectives of socialist society. Its amount and its utilization are an indicator of the social effectiveness of economic development and a source of social stimuli for dynamism of the economy. The mutual interrelationship, interdependency as well as discrepancy of both of these aspects of social reality is directly reflected in leisure time.

In light of the mentioned and, for many a reader, probably surprising findings, the answer to the question of whether and how leisure time can be expanded is somewhat less optimistic. There is no hiding the fact that the process of expanding and enriching leisure time was, is and will be slow and differentiated. Free time cannot be produced and socially distributed as utilitarian values or income. It is the result of the mutual interaction of many complicated factors, among which the overall economic viability of the society, its productive capability, the nature of distribution and exchange processes, the potential for conscious and planned, foresightful management of the entire complex of social changes are of prime importance. In addition to objective social conditions, an important role is played herein by subjective factors, orientation of one's life and emulated models, accepted values and interests of people. Continued development of leisure time will depend on the extent to which society will succeed in creating favorable prerequisites for it by economic and social policy.

At the level of objective social conditions the barrier to expansion of leisure time is primarily the length of daily and weekly working hours. The load of the daily time schedule in connection with the time lost in commuting is entirely too high for majority of the working public, limiting the variety of potential extracurricular activities and forcing postponement of more demanding household chores to weekends.

Universal reduction of working time calls for the creation of considerable back-up reserves. The difficulty of this task is amplified by the fact that under the conditions of a socialist society any reductions in the standardized working time must be accompanied by increased meeting of the material needs of the working public, expanded market offering of products and services, a time lead in development of social conditions

for desirable utilization of the working time made available for leisure. Without this prerequisite, the time made available from the available social working time would continue to spill over into less productive individual work and, for the major part, passive, individual forms of spending free time.

Even when it becomes possible to create the prerequisites for additional cutbacks in working time, development of free time will be decided by the sphere of individual work in which a number of disparate processes are in progress at the present. The trend toward suppressing its extremes is effectively coming to the fore, as is that toward a gradual reduction of the demands on time posed by tending to the household and household management. The pace and direction will depend on the growth achieved in the volume and improved quality of material consumption, on the development of its forms as well as on intrasocietal differentiation.

There are a number of factors currently at work that promote the prolonging of individual work. Increases in living space, expansion of individual forms of habitation, ownership of recreational facilities, expanding availability of land, the envisioned increases in two-car households and other forms of growth in the material standard of living call for an increasing volume of additional work expended on repairs and maintenance. The development of services can bring about only a partial improvement in this sphere.

What is more, the expansion of individual work is spurred on by social stimuli. On the one hand it is political, economic and ideological support for self-subsistence and sale of surplus, on the other hand it is indirectly the state of available market supply, failures to meet demand in quality, assortment, price and inadequate development of services. If the consumer is left without a social alternative, or if it does not offer any advantage in price, time or quality, and, at the same time, if he has at his disposal the requisite work resources, he will resort to preferential substitution by individual labor.

The expansivity of additional work is also supported by the not always fully appreciated attitude factors. Despite all the successes achieved in the growth of the material standard of living, material needs and interests of the majority of the working public exceed the existing resources for their being met. The absolute level is not of decisive importance, what is involved is a relative time lead in demand. The more attractive the offer of mutual exchange [of products or services], the more this tension keeps increasing. It becomes manifested by interest in increasing monetary income. Social circumstances determine whether they promote its meeting and in what forms. On the other hand, the effort toward increasing the material standard of living becomes manifested in economizing, saving of monetary expenditures wherever the required utilitarian values can be obtained by one's own work. Such an orientation of economic behavior toward economizing becomes also manifested in e.g., prolonging of the service life of products beyond its physical limits.

The second paradoxical attitudinal rival of free time is the relation to work as a vital need, a means of self-realization. The orientation of life toward work has traditionally deeper roots in our culture than does hedonism. One of the persisting remnants of the old distribution of labor is the fact that the need for self-realization is more easily satisfied in the sphere of individual work, where its material effects are directly evident, while in the societal working process room for self-realization through work is limited by excessive differentiation of work operations, inadequate independence and creativity, separation of work from the final product, separation of work from reward and from consumption.

The most pressing problems are concentrated in the necessary component of individual work which compensates for the lack of development in social production. However, alongside it there exists a relatively non-essential component which is an expression of individual efforts toward increasing consumption beyond the share accruing from socially generated resources, or even just an effort to appease the need for activity, creativity without regard to its material effect. The expansivity of this component of individual work--which is far from its saturation limit--can be weakened only by the pressure of competing interests and needs.

The third group of causes for the slow dynamism of changes in the volume and thematic contents of free time must therefore be sought in the structure of needs and social conditions for satisfying them. The decisive stimulus for the generation of needs is society's offering of possibilities and opportunities, of products and activities, organizational effort expended on the preparation of actions and expanding the circle of their participants. As in many spheres of cultural life, mass sports and recreation, the existing capacities are not adequate to meet the already existing demand, no pressure mechanism is generated on expanding that demand. The less people are motivated toward more demanding developmental activities, the less effort they exert toward making available the time required for them. Thus, the circle closes itself through inadequate development of objective conditions and acquired needs, which slows down expansion of activities and, with it, also expansion of leisure time. The only way out of the circle is by attainment of a qualitatively higher level of social supply.

Strategy for Intensification

The key to the solution of the problem of free time is hidden in social production, the productivity and product of which will decide the dynamism of changes in the sphere of work and outside of it, shifts in manpower and releasing of the working time available to society, development of nonproductive sectors, the rate and directions of improving the standard of living. The intensification of economic development is thus also the basic strategic factor in the expansion of free time. One of its untapped resources, even though difficult to mobilize, is also increased utilization of the existing social conditions and of the available free time toward expanded replenishment of manpower, toward activation of subjective factors in social production.

Society's interest in expansion and enrichment of leisure time can specifically be broken down into several tasks.

In the first place, it involves making the use of time spent traveling more efficient. Increasing the standard of living and enriching vital activities is connected with increasing demands on transportation. Economization of transportation that is narrowly conceived from the viewpoint of operating costs often leads to multiple social losses of fuels, transportation of passengers, but also to the transportation of objects and of information. Efforts to improve the performance of the commercial network by traditional methods is by now incapable of bringing about any more conspicuous results in time savings. The consumer would welcome reliable telephone information service, the expansion of mail order and shipping sales, delivery and distribution; in other words, reduction of transportation needs and their transfer to the supplier, understandably with remuneration for transportation costs. Improved efficiency is particularly needed in the distribution of goods in short supply, an area where the greatest losses of time are sustained through repeated search.

Losses of time also occur through unnecessary waiting, failure to meet deadlines and operating times, superfluous repetition of visits to authorities, in health care facilities, etc. The curbing of time losses calls for improved performance in all branches of services, innovation of their forms, an orientation toward maximizing the effect of the consumer. However, the prerequisites for all this must be created by social production by the generation of resources, by the volume and quality of products, by the release of manpower.

A positive attitude toward work expended in the pursuit of interests--which forms the basis for its expansivity--reduces the effectiveness of social intervention. Thus, the pressure of social measures must be concentrated on alleviating and expediting the necessary elements of domestic chores and household management. In essence, this involves coming up with attainable social variants of their resolution. Making it possible to make a selection between expending individual labor and purchasing a product or payment for service in all instances where the individual approach poses great physical and time demands calls for specialized skills and equipment, is conducive to the misapplication of social values, causes economic losses for society as a whole, leads to psychological stresses and has other significant social and ideological consequences: expediting traditional household chores by offering foodstuffs with a higher degree of processing, production of consumer goods with a lesser demand on maintenance, dealing with problems in assortment, quality and price of the supply offered by the market, expanding basic mechanization of household chores and household management.

However, the development of price relations in expanding the social supply of products and services must be adapted to intrasocietal differentiation of the standard of living. If the volume of individual work is to be reduced, it would call for differentiation between luxury services, designed to tap the accumulated buying power, and services the expansion of which

is oriented toward the attainment of social goals of the socialist society and the price level of which would promote mass consumption.

Many an argument comes under consideration in connection with the potential reduction of working time. With the existing unsatisfactory situation in the market supply, what is needed from the viewpoint of the needs for social development is, in my opinion, to give preference to the redistribution of the utilization of the working time available to society over its reduction. Intensification programs should include a program for the generation of work opportunities to make use of released manpower in new, viable sectors of production and particularly in those branches of services that pose little demand on investment, are lacking in sufficient capacity or are even nonexistent.

On the other hand, however, there is a need for outlining a program for gradual creation of conditions for making additional reductions in working time. It would seem advisable to develop efforts to achieve greater variability in the length and organization of working time in relation to the need of places of work and their personnel. The replacement of administrative controls by economic controls should also facilitate a more flexible approach toward the extension or reduction of obligatory working time. Optimum rates and forms of reducing working time must be weighed in relation to economic needs and possibilities.

Cultivation of Interests and Needs

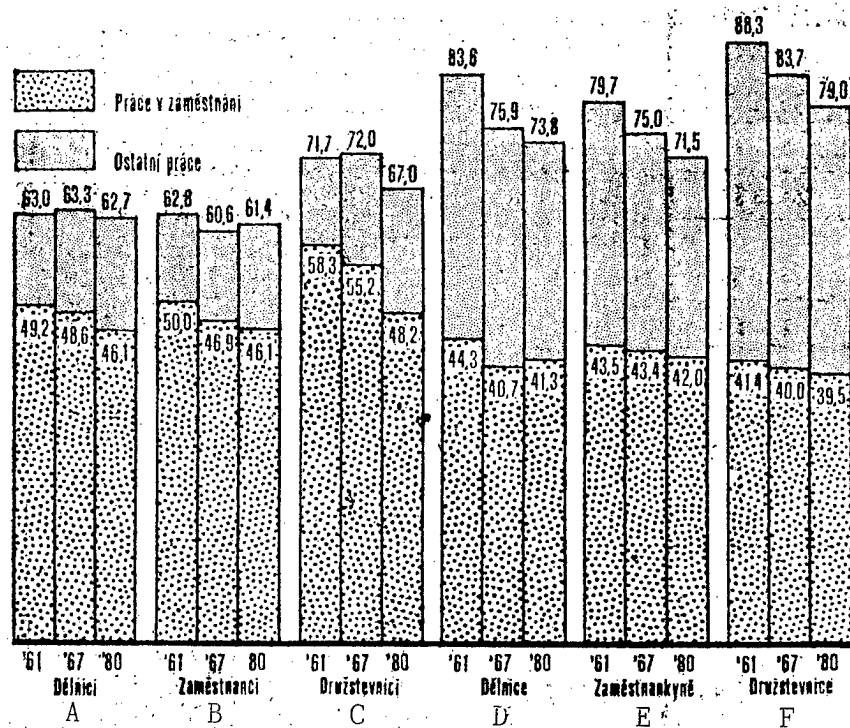
Interventions in the sphere of social and individual work do not by themselves provide a guarantee that there will occur any change in the existing trends in the manner in which free time is utilized. The conditions for enriching the structure of vital activities must be created by expanded social offerings of educational, cultural, sports and recreational activities through an improved utilization of existing facilities, resources and manpower, and their redistribution and expansion commensurate with the growth of the resources available to society. At the same time, limitations in available resources make it necessary gradually to concentrate society's attention on those areas where problems are most pressing and where there exists a favorable atmosphere in public opinion. Health care, nutrition, and physical condition, which increase interest in mass sports activities and recreation, are currently becoming such areas.

Improvements in the material standard of living make it possible to choose, and not only in the above areas, now more than ever the approach of paid services as, after all, is confirmed by, e.g., the area of sports. It is particularly urgent to establish a social development program in the sphere of recreation, where the expansion of individual forms is encountering both natural and economical barriers, leaving aside other negative attendant circumstances, and social capacities are critically below the level that could accomodate the demand for them.

In the search for an adequate expression of the orientation of social effort, the slogan "expansion of free time" is not fully satisfactory.

Social measures designed to prolong free time can miss their desired effect or become impaired by conflicting processes. On the other hand, the enrichment of free time always translates in actuality into the enrichment of its volume, implying at the same a much wider complex of social prerequisites. Thus, the slogan "enrichment of free time" is a more adequate formulation of social goals and of the approaches to their attainment.

Graph 1. Development of total work load on employed men and women according to social groups in 1960, 1967 and 1980 (hours per week)



Key:

Dotted areas: Work on job

Solid areas: Other work

A - workers

B - employees

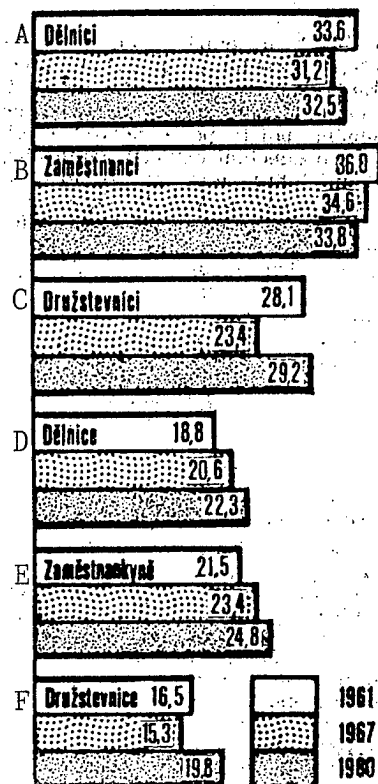
C - members of cooperatives

D - female workers

E - female employees

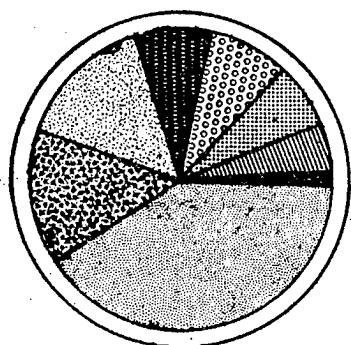
F - female members of cooperatives

Graph 2. Development of leisure time among employed men and women according to social groups in 1960, 1967 and 1980 (not including work performed without pay or in pursuit of interests) [hours per week]



Key:
same as in Graph 1.

Graph 3. Composition of second shift among employed women in 1980
[hours, minutes per week]



31:41	Total, of which:
12:18	Meal preparation, washing dishes
4:35	Washing, ironing, care of attire
4:34	Cleaning, maintenance, repair of household goods, weekend cottage and home
2:46	Child care
2:46	Shopping, procurement of services
2:11	Household management
1:45	Knitting, gardening, etc.
0:46	Other work, particularly in work brigades

Manner of utilization of time available weekly to employed men and women
in 1980 [hours, minutes]

<u>Item</u>	<u>Men</u>	<u>Women</u>
Hygiene, meals, health care, sleep	66:34	65:59
Work on job	46:15	41:22
Household management, small scale production	5:02	2:11
Household chores, shopping, services	7:21	24:33
Knitting, etc., gardening, manual hobbies	1:34	1:45
Child care	1:24	2:46
Work without pay for others, work brigades	1:13	0:26
Transportation to work, shopping, services	6:13	5:41
Transportation during leisure time	1:54	1:27
Public and political activities	0:42	0:17
Education, self-education	0:37	0:21
Sports, outings	2:16	1:32
Television viewing	12:47	9:55
Other cultural pursuits, reading	4:51	3:04
Social contacts, conversation	7:09	5:04
Inactive rest, other pursuits	2:08	1:37

RECYCLING TECHNOLOGY NEEDED TO STRETCH WATER RESOURCES

East Berlin TRIBUNE in German 13 Jul 84 p 12

[Interview with Prof. H. Stiller, deputy secretary general, Academy of Sciences of the GDR: "New Ideas Needed for Recycling Scarce Utility Water"]

[Text] Our country's water resources are strained, particularly in extreme situations, as shown again last year. Even in years with normal precipitation, the demand for water in regions with high population density and heavy industrialization exceeds the natural supply. Concerning contributions of the Academy of Sciences to the solution of this problem, we spoke with the former director of research in earth and space sciences, Prof Heinz Stiller, who was appointed deputy secretary general of the Academy in July 1984.

[Question] Can we assume that the GDR must get along with the traditional water reserves, or can the time come when perhaps water from the Baltic Sea or other reserves must be used?

[Stiller] The time is past when water was abundantly available in Central Europe. The sparing use of water is an urgent requirement of the present and the future. Soviet scientists estimated as early as 1976 that by the year 2000 most of the available water resources of Europe will be used to the admissible limit of their capacity.

It is possible to desalt sea water by following various procedures, but the process requires much energy. Less than 0.1 percent of the total demand for fresh water is presently obtained by desalinization. The utilization of deep ground water reserves without replenishing them--that is, without actually depleting the raw material, water--is possible indeed only within narrow limits and for a limited time. The supply of fresh water is thus severely limited. We must learn to use these supplies better than before. Low-waste industrial production processes with closed water cycles and improved irrigation technologies in agriculture, for instance, can contribute decisively to this.

[Question] So we are forced to reuse water. What has to be done in this connection?

[Stiller] Recycling, a practice to which other parts of the world as well are being forced to resort, requires--along with comprehensive steps to save

water--the transition to new water-saving technologies and effective waste-water purification techniques. Only then can the available raw water be processed at an economically feasible cost into suitable utility water for industry and agriculture and into a hygienically acceptable drinking water. Only a portion of the purification processes--albeit very important economically--can be left to the natural self-purification of lakes and streams. Since the many lakes and rivers of the GDR are already being heavily used, great importance for the national economy is attached to research on the physical, chemical and biological processes of substance conversions in bodies of water.

In the long run, surface and ground water must be used less. This includes the amount of water extracted and the amount of by-products released into these waters. The Academy has specific facilities that call for it to play a role in the development of water-saving technologies and in the improvement of waste-water purification methods.

[Question] Are there also new methods which can be used for hydrological research?

[Stiller] While retaining the tried and true methods, the development of new methods--from testing techniques to theory--should be one of the most urgent tasks of hydrological and limnological basic research at the Academy. Studies of subsurface and surface water urgently require the combination of physical, chemical and biological measurements in order for us to understand the very complex temporal, spatial and functional relations among the factors which determine the conditions and fluctuations of bodies of water. We are thus thinking first of all about the development and use of new measuring methods such as microelectronic measuring devices and space-based reconnaissance.

[Question] How can space-based reconnaissance aid hydrological research and monitoring?

[Stiller] In the space-based reconnaissance data, the individual lakes and rivers or complete water networks are shown according to the soil resolution capacity of the photographic system so that in larger areas information can be directly obtained about the location of banks and coasts or their changes. An example of this would be the effects of storm floods and constant sea currents even in the area of the GDR's Baltic coast between the Darss, Zingst and Hiddensee. Information on the water levels of dams can also be derived from these data. Also of no small interest to the national economy are the space-based reconnaissance data for the assessment and documentation of flood conditions in endangered sections of river areas, such as for example the Saale.

At the same time, however, earth-based measurements are also needed for hydrologically relevant information that not only describes the geometry of lakes and rivers but also yields data on water quality, on substances contained in bodies of water and on the dynamics of bodies of water. Here

space-based reconnaissance cannot replace direct water research but can only be used to support generalizations about the total area of lakes and rivers based on direct point-by-point measurements.

[Question] Isn't it also necessary to increase public awareness that water is a life-supporting substance and a raw material?

[Stiller] The education of the people for responsible behavior in dealing with water in nature, on the job and in the home demands the involvement of all social organizations and bodies as well as multifaceted activities in training and continuing education programs. The scientists of our academy are working on this as well. Because of their vital importance as sources of drinking water and water used for recreation, agriculture, landscaping and transport, the efficient use and protection of lakes and streams are tasks of the highest priority, ranking with those of energy supply.

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CSO: 2300/581

ECONOMIC PERFORMANCE FOR JANUARY-JUNE 1984 SUMMARIZED

Warsaw ZYCIE GOSPODARCZE in Polish No 30, 22 Jul 84 p 14

[Article by Marek Misiak]

[Text] The end of the first half of 1984 constitutes the mid-point of the three-year national plan, which provides an occasion for a more synthetic approach to data supplied by the Central Statistical Office (GUS) and the National Bank of Poland (NBP), presented in tables at the end of this article.

For many months, there have been upward trends in most areas of the national economy. Production-growth index in the second quarter was slightly higher than the target for the whole year. Since last year's basic production and national income targets were exceeded by 2-3 percentage points, it can be safely concluded that at the mid-point of the 1983-1985 plan, its targets for production and national income produced are being pursued ahead of schedule.

This, however, cannot be said of the implementation of plan provisions concerning the balancing of the economy. Production growth, even though higher than planned, is lagging behind the pressures for investments and production supplies which transcend the limits set in the plan. The consumer-market situation is heavily overwhelmed by the money incomes whose level is higher than provided for in the three-year plan. In these circumstances, the increase in goods and services delivery to the consumer market turns out insufficient to bring about the planned reduction of market disequilibrium. As a result, most of the staple foodstuffs are sold under ration schemes, while the non-food markets are suffering from constant perturbations, reflecting the absence of sales continuity for many sought-after articles.

But for a full assessment of the first half of the year, some additional data are needed, concerning the sphere of investments (where we have only partial information at present), consumer market deliveries, costs of living, and enterprises' financial performance. In all these fields, additional calculations and estimates will have to be made. We will try to take up the subject following the publication of GUS half-year report and other informational materials.

At present, attention can be drawn, just as in recent months, to developments which pointed in June to either intensification or weakening of earlier observed tendencies. Socialized industry's sold production rose 3.3 percent June-on-June. But June 1984 having been one working day shorter, the respective

increase in comparable time was 7.2 percent. As a result, the January-June sold production, in both comparable and actual time, was 4.8 percent above the corresponding previous year's level, which is 0.3 percentage point more than the plan target of 4.5 percent growth.

The pattern of sold production dynamics in various branches of industry is much diversified. In mining, the output growth was 3 percent (in the first half of 1984 compared to the same period of 1983), including 3.8 percent increase in coal mining. But in the fuels industry, the figure was only 2 percent. As a result of high increase in production of the power-generating industry (8.8 percent), the whole fuels and energy sector recorded a 4.1 percent rise, which is 0.8 percent more than the sold production dynamics target set for this sector in the plan (3.3 percent).

Higher than planned growth was generated in metallurgy (9.2 percent against the planned index of 3.8 percent), the minerals industry (5.2 percent against 4.7 percent, respectively), wood and paper (6.3 percent against 4.7 percent), and the light industry (7.3 percent against 4.5 percent). In that last case, the high sold-production dynamics was influenced by the performance of both the textile and garments segments (respectively, 7.9 percent and 8.4 percent).

Growing at a rate close to the plan target was the production of the engineering industry (6.8 percent against the plan target of 6.7 percent). Within its individual branches, higher than average growth was recorded in metalworking (7.1 percent), machinery (9 percent) and electric/electronics (10.9 percent), and lower than average growth in means of transport (2 percent).

Lower than planned dynamics of production was seen in the chemical industry (5.7 percent against the annual plan target of 6.4 percent) and the food processing industry (1.5 percent against 3.5 percent).

A factor which limited production growth in the latter sector was the slow-down in demand for spirits industry products and lower livestock procurement, which influenced the value of sold production of the meat industry. Livestock procurement dropped 6 percent from the first half of 1983, which represented a 39.2 percent decline from the first half of 1979. The steepest decline was in hog procurement (by 23 percent from the first half of 1983 and by 48.8 percent from the same period of 1979). A substantial drop in hog procurement was anticipated in the Central Annual Plan (CAP) which, however, also provided for its gradual recovery in the latter half of the year.

First signals from the turn of June and July indicate that hog procurement is picking up quickly, but to a great extent this reflects the previous abstention from sales by farmers waiting for a price increase, which was announced on 1 July. On that day, procurement prices went up by 23 percent for calves, 18 percent for other cattle, 11 percent for hogs, and 14 percent for sheep wool. Increases were also announced for food wheat (10 percent), barley other than brewery barley (8 percent), and sugar beets (16 percent). So changes were made not only in the level but also in the pattern of prices. The July increase is estimated to contribute to a 4-5 percent rise in farmers' earning from the sale of agricultural products (compared to the 1983/1984 crop year).

The situation with crop production is still unclear. While in the first quarter we were concerned about drought and were praying for rain, the second quarter brought about rainfall and cold spells which adversely influenced hay gathering. In July we have been wondering if the weather will become more favorable to harvesting. At writing, such a change has yet to materialize. As far as root crops are concerned, it is still too early to make realistic predictions. It seems, however, that despite the caprices of weather, crop production will stand this year at long-year average.

Milk procurement rose in the first half of 1984 by 8.8 percent from the same period of 1983, and by 19.3 percent from January-June 1979. But utilization of this milk-flowing river--very important, given the present supply of meat proteins--is hampered by poor organization of milk-procurement and processing facilities. Egg procurement stood in the first half at a level close to last year's (increase by 0.1 percent).

In production of construction/assembly enterprises, investments and housing construction, the situation is diversified. The value of production at construction/assembly enterprises rose substantially (7.1 percent compared with the first half of last year) and so did investment spending--by 16.5 percent in 5 months, including 13.3 percent constant-price increase in expenditure on construction/assembly operations [as opposed to the purchase of equipment]. This is nothing to be glad of. The three-year plan called for only a slight increase in investment spending, but already last year the actual figure dangerously exceeded the annual target. As a result, the 1984 plan provided for a reduction of investment expenditure. Nothing, however, seems to indicate that this provision will be met. And by writing this I am far from proposing that highly efficient and often dispersed projects of enterprises be scaled down--something which in such situations is often seen as the easiest way out.

The much higher than planned level of investment spending stands in contrast with the continuation of substantial delays in project completion. Only 74.5 percent of projects planned for completion between January and May 1984 were actually handed over in that time (which represents 11.3 percent of projects scheduled for completion throughout the whole year). These developments can hardly be justified by the situation in housing. It is true that the number of handed-over dwellings rose 8.1 percent June-on-June, but the figure for the first half of 1984 (58,600) was 1 percent lower than the corresponding figure for January-June 1983 (59,000). The situation looks slightly better in terms of living area of new dwellings, which increased 1.7 percent.

Trends on foreign trade were similar to those seen in previous months. The GUS indices of dynamics are compiled in zlotys, but, following the substantial changes in the exchange rate of the zloty, they are quite ambiguous. So these data can be supplemented by an information that in terms of transferable rubles, the value of exports to payments zone I rose 8.1 percent in January-June 1984, compared to the same period of 1983, while the value of imports went up 12 percent. At constant prices (in zlotys) exports to payments zone I rose 5.9 percent and imports increased 8.4 percent. Prices of goods exported by Poland to payments zone I rose 2.1 percent and prices of goods imported from that area increased 4.3 percent (in both cases in terms of transferable rubles). The terms of trade index was still unfavorable, and stood at 97.9.

As far as the dollar expression of hard-currency trade is concerned, exports rose 1.7 percent and imports increased 0.1 percent. At constant prices (in zlotys), these were, respectively, increases by 13.4 percent and 8.9 percent. Dollar prices dropped both in exports (by 10.2 percent) and imports (8.9 percent). So here, too, the terms of trade index was bad (98.5).

In trade with payments zone I a deficit of TR 0.19 billion was recorded, while in trade with payments zone II \$0.81 billion surplus was generated. Against the 49.8 percent passage of annual working time, the implementation of overall export and import targets stood at 46 percent and 45.4 percent, respectively. When split into payments zones I and II, the respective figures are 47.6 percent and 44.7 percent for exports, and 45.2 percent and 45.6 percent for imports. This shows that in trade with payments zone I, delays are lower on the export side, while in trade with payments zone II the reverse is true. We have been noting this tendency for some months now, pointing to the necessity of stronger growth in the more difficult hard-currency sales.

As concerns problems connected with the consumer market situation, I will confine myself to some general remarks, believing that these problems should be discussed in detail in separate publications. According to the GUS and NBP data, the population's money incomes, wages included, were growing in May and June at a slightly slower pace than in previous months. But the money expenditures were rather high, as a result of which the population's money reserves dropped in May by some Zl 10 billion (in June they rose slightly--by Zl 4.9 billion). Assuming that the situation develops in a similar way in the latter half of the year, the growth in population money reserves may for the first time prove lower than planned this year.

The problem is that trade inventories are not growing at a sufficient pace. In terms of value, they are indeed increasing (by nearly 30 percent at the end of June compared with mid-1983 and by nearly 17 percent on the turn of 1983), but their structure hardly guarantees sales continuity for many non-food articles, to say nothing of providing conditions for the abandonment of rationing of basic foodstuffs. I estimate trade-inventory rotation coefficient at 40-45 days in the second half of 1984, which compares with more than 80 days in the August-December periods in the second half of the 1970's.

Table 1

Specification	1984										
	The same period of 1982 = 100			absolute figures			The same period of 1983 = 100				
	June	Jan-April	April	May	June	Jan-June	April	May	June	Jan-June	
	2	3	4	5	6	7	8	9	10	11	
											Industry
Sold production of socialized industry (at 1982 producer prices), in billion zloty	106.0	108.5	615.9	649.5	634.5	3,835.2	105.6	106.2	103.3	104.8	
Average employment in socialized industry in thousand persons	99.2	98.8	4412.5	4372.4	4372.4	4412.3	99.7	99.6	99.5	99.6	
Sold production per employee of socialized industry, in thousand Zl	107.3	109.8	139.6	148.3	145.1	869.2	105.9	106.5	103.8	105.2	
Average monthly wage in socialized industry in Zl ¹⁾	131.1	134.1	18,726	17,923	17,505	17,867	118.5	114.6	114.6	121.1	
Production of selected commodities:											
- coal, in million tons	99.8	100.4	15.1	16.4	15.7	96.1	96.4	100.1	103.8	100.9	
- electricity, in million kWh	109.0	105.5	10.7	10.2	9.7	68.0	109.8	109.1	107.3	109.5	
- crude steel, in thousand tons	101.0	114.6	1491.3	1359.1	1328.8	8331.1	102.1	102.6	103.2	102.4	
- farm tractors, in thousand pcs	105.3	104.0	4.5	5.2	4.7	29.7	95.9	106.0	102.1	103.1	
- passenger cars, in thousand pcs	113.2	135.1	20.7	25.5	23.5	142.0	89.5	107.7	102.7	101.0	
- household washing machines and electric spin-driers, in thousand pcs	110.0	120.3	52.9	63.3	60.2	373.5	93.6	106.4	105.0	106.7	

1	2	3	4	5	6	7	8	9	10	11
- TV sets, in thousand pcs	112.5	108.4	49.8	44.8	50.0	869.1	98.2	84.6	97.4	89.0
- nitric fertilizers terms of N ₂ , in thousand tons	108.7	109.7	116.9	116.0	117.0	692.0	100.5	98.6	113.9	103.5
- plastics, in thousand tons	98.0	126.0	48.2	45.3	53.6	300.1	105.3	99.5	155.7	112.3
- cement, in thousand tons	94.6	104.0	1374.4	1503.1	1526.3	8313.4	95.8	101.8	106.7	101.8
- footwear (without rubber-made), in million pairs	113.7	116.7	12.3	13.6	12.6	78.9	103.0	110.1	104.1	107.4
Construction										
- Base production of socialized construction/assembly enterprises, in billion Zl (at constant prices)	100.5	107.6	59.3	65.1	68.1	353.0	108.0	108.8	107.1	112.2
- Average employment in socialized construction/assembly enterprises, in thousand persons	99.2	99.4	919.3	917.4	919.6	919.6	101.0	100.9	101.3	101.0
-Base production per employee of socialized construction/assembly enterprise, in thousand Zl	101.4	108.2	64.5	71.0	74.1	383.9	106.9	107.8	105.7	110.1
- Average monthly wage in socialized construction/assembly enterprises, in Zl ¹ /	133.8	130.2	18832	16796	16839	17143	128.7	115.8	117.8	127.8
- Dwellings handed over in socialized construction, in thousands	134.7	122.2	5.4	8.9	20.3	58.2	99.3	101.2	105.1	99.0

1	2	3	4	5	6	7	8	9	10	11
- Area of new dwellings handed over in socialized construction, in thousand sq.m.	135.5	123.3	290.9	486.6	1112.2	3185.1	99.0	105.8	108.6	101.7
					Agriculture					
- Livestock procurement, in terms of meat, in thousand tons	59.8	88.3	137.3	155.7	115.1	835.7	98.8	103.2	113.1	94.0
- Milk procurement, in million liters	109.2	118.1	826.1	1103.9	1238.7	5392.1	109.1	104.0	106.8	108.8
- Egg procurement, in million pcs	89.7	81.6	248.0	297.2	211.3	1593.4	74.0	91.1	88.5	100.1
					Transport					
Cargo carried by socialized transport, in million tons	102.0	103.7	90.5	97.7	92.3	551.9	101.2	101.7	100.2	103.7
of which:										
- by rail (standard gauge)	104.3	104.6	34.6	36.0	33.9	209.1	101.0	100.6	100.5	103.1
- by road (public and sectoral transport)	99.7	102.2	48.1	52.9	49.3	295.4	102.6	103.1	98.4	104.3
Transshipment at commercial sea ports, in million tons	153.5	129.1	4.7	5.0	4.8	28.2	133.3	105.2	95.7	123.8
					Foreign Trade					
Exports, total, in billion Zl ²)	123.6	116.9	91.7	115.1	122.0	594.1	112.7	122.4	114.0	118.8
- payments zone I	118.4	121.1	41.8	53.7	57.8	279.8	102.0	120.7	114.5	112.4
- payments zone II	128.8	113.1	49.9	61.4	64.2	314.3	123.5	123.8	113.6	125.2

	1	2	3	4	5	6	7	8	9	10	11
Imports, total in billion Zl ²⁾		118.8	118.1	90.3	99.4	104.3	521.7	120.8	132.1	122.4	119.2
- payments zone I		118.1	113.5	49.5	55.6	56.9	293.0	110.5	127.8	116.7	116.4
- payments zone II		120.0	124.7	40.8	43.8	44.7	228.7	136.3	138.1	131.0	122.9
Consumer Market Situation											
Population's money incomes in billion Zl		123.9	129.4	417.7	397.4	387.0	2363.6	126.4	118.4	115.9	119.8
Population's money expenditures, in billion Zl		127.9	138.9	388.3	418.7	382.1	2285.5	127.4	123.2	121.1	123.6
Retail sales (at current prices), in billion Zl		127.8	140.1	343.1	339.7	331.1	1961.0	128.9	121.7	120.3	122.2

1) Including employee cost-of-living pay supplements and profit-financed pay components

2) at current prices

Note: The data are of preliminary character, and may be changed later.

Table 2. Structure of the Population's Money Income and Expenditures

Specification	June	Jan-June		June	Jan-Dec (plan)	
	in billion Zł		CAP target = 100	The same period of 1983 = 100		
1	2	3	4	5	6	7
I. Incomes, total	387.0	2,362.6	49	119.8	115.9	113.8
of which:						
- wages	203.1	1,250.0	48.8	118.3	119.8	116.9
- social benefits	73.3	439.8	52.5	120.8	106.5	112.3
- credits received	15.3	99.3	62.0	123.6	105.2	105.5
- earnings from sale of farm produce	40.6	280.2	37.4	109.9	100	106.1
II. Expenditures, total	382.1	2,285.5	49.9	123.6	121.1	116.4
of which:						
- purchase of goods	310.7	1,859.8	49.8	122.6	119.8	116.3
- purchase of services	44.8	249.2	49.8	122.4	113.0	116.3
- taxes and fees	10.8	846	61.7	164.8	222.2	119.6
- credits repaid	5.4	35.2	42.4	124.2	122.2	11.9
III. Changes in the state of population's money reserves	4.9	78.1	31.3	62.9	26.7	81.0
of which:						
- saving deposits	2.9	42.3	--	62.9	42.1	--
- cash	2.0	35.8	--	62.9	17.3	--

Time-flow indices for the five months: 49.6% (calendar time);
49.8% (working time).

Note: The data are of preliminary nature, based on summary reporting and estimates.

Source: National Bank of Poland (NBP)

CSO: 2600/1147

MISMANAGEMENT OF SULFUR RESOURCES DETAILED

Warsaw ZYCIE GOSPODARCZE in Polish No 28, 8 Jul 84 pp 1, 6

[Article by Edward Wrobel: "Sulfur: Credit and Debit"]

[Excerpts] Still in 1960, Poland bought some 25,000 tons of sulfur abroad. But when sulfur deposits began to be exploited, first in Piaseczno and later in Machow, Grzybow and Jezioro, the situation changed radically. From 1961 to 1982, a period during which Polish sulfur output stabilized at an average 5 million tons yearly, more than 60 million tons were extracted in the Tarnobrzeg sulfur district, 85 percent of which was done by the underground-melting technique. This record has put Poland on rank three, following the United States and Canada, on the list of the biggest world producers of sulfur. Naturally, the exploitation of these resources has allowed Poland, first, to strongly expand those domestic industries which depend on sulfur as their basic raw material, and, second, to become a major partner in the international sulfur market with all the beneficial consequences such a position carries.

Polish industry's sulfur consumption thus rose from 22,000 tons in 1955 to over 1.1 million tons by 1982. Fully new sulfur-dependent industries emerged, including petrochemical plants, plastics, rubber and fertilizer factories, to say nothing of increases in sulfur consumption in industries traditionally using this raw material, as in the production of dyes, pesticide, rayon, carbon disulfide, matches and drugs, or in therapy. Moreover, the abundance of sulfur allowed sulfuric acid production to soar (2.7 million tons in 1982) so that Poland now ranks among the world's 10 biggest producers of this widely used product. Poland also seized the opportunity of specializing in the construction of sulfuric-acid factories which are sold to many countries.

During those 20 years, Poland exported some 47 million tons of raw or preliminarily processed sulfur, or 78 percent of the total output.

By 1981, Poland earned 7.3 billion in what then were called exchange zloty. In 1982, when the exchange zloty ceased to be used in official statistics, Poland earned more than 126 million rubles and \$250 million for its sulfur exports.

But, this latter revenue record falls behind earlier huge sums. In economics, like in life generally, everything is changing, and so is the sulfur market.

As world demand has been slackening, new producers have been offering large quantities of sulfur gained in oil and natural gas distillation.

Poland has managed to keep its runner-up position among world exporters as far as markets are concerned, but of course had to suffer financial consequences of the worldwide economic lull. The fact that Poland could retain its markets, was due largely to the high absorptive power of Comecon sulfur markets and to increasingly frequent bilateral transactions (including counter-purchase agreements) with capitalist countries. Barter deals with Brazil, for example, have helped Poland to score appreciable successes in competition with Canada. Poland has also been holding a widening slice of the Chinese market. However, it must be openly said that price levels are now generally favorable to no supplier. Consequently, the most efficient and technologically advanced producers tend to switch over from the French process [which is applied in Poland] to less costly production technologies.

By 1982, Zl 30 billion was spent on building Poland's sulfur mining and processing industry; the Siarkopol combine alone cost nearly Zl 20 billion. The Tarnobrzeg region, along with the city itself, expanded its technical and social infrastructure at a cost of some Zl 2 billion. The significance of sulfur as a basic item of Poland's national wealth simply cannot be overrated. Having thus rendered unto Caesar what is Caesar's, let me now proceed to Polish sulfur's less proud records.

If we have a right to be proud of the good things sulfur has been doing to the Polish economy, we also have a duty to acknowledge, and counteract, whatever inadequacies appear in this industry's development. Many of these inadequacies are "subjective" in character, i.e., their settlement is in the reach of industry's leadership, even though this may prove a difficult job. Those who run the sulfur industry are naturally obliged to continuously analyze the situation, and to devise new concepts for exploitation, technology and work organization under the overall injunction of ensuring the most effective sulfur production model. These important tasks have become dramatically urgent especially now that the international market situation has become difficult and largely unpredictable, while Poland's financial potential is not strong enough to venture spending huge funds on, shall we say, an extensive-type development of the sulfur industry, a concept which seems to have become the dominant ideology among the industry's top managers.

Briefly, it is now clear that the managing board of sulfur companies must shed its obsolete modes of thinking and action. In particular, they must abandon the belief that if funds are assigned for investment, sulfur will be available, and if not, there will be no sulfur. The sulfur empire has been insisting that unless new mines are built Poland will be unable to maintain present output levels and thus will lose foreign markets to the competition. Perhaps Poland may even face the necessity of importing sulfur for its own domestic needs, they imply.

In the past, huge financial and material resources were invested into sulfur mining. However, for various reasons, nobody bothered whether or not those resources are in a reasonable and adequate proportion to their effect and whether side-effects may not excessively curtail this effect. The sole important thing was the goal, which justified every means and every cost. Whoever had second thoughts about such a mode of spending money was frowned

upon. Since the mid-seventies, this particular mode of thinking has been getting increasingly primitive. Eventually, output, i.e., the physical quantity of sulfur actually extracted, became the only measure of efficiency, and nobody worried about the rising costs, which, incidentally, were estimated on the rule of thumb. It should also be pointed out that many mistakes of different nature were committed in the production process, and this distorted the cost-effect proportion even further.

At present, sulfur production in Poland relies on the Frasch method (the claim that this method had been updated in Poland, which was made primarily in official propaganda, now belongs to the past) and on open-pit extraction at the Machow deposit. Says Professor Stanislaw Pawlowski, the discoverer of the Tarnobrzeg deposit, "Each of these two methods has advantages and drawbacks. While the open-pit method permits a full exhaustion of the whole deposit, up to 25 percent sulfur is lost in the course of processing the ore. Moreover, it degrades the environment almost beyond rehabilitation. The drill method, in turn, makes a full extraction of a deposit impossible. We utilize only 50-60 percent of the industrially usable resources. So, a technique permitting a full utilization of sulfur has yet to be designed. We have to learn constantly, to improve exploitation techniques. We have to learn, let me repeat, proper exploitation, processing, and environmental protection. It is unacceptable that what can be a blessing should become a curse. We must vigilantly watch industrial progress in order not to repeat earlier mistakes."

The professor's opinion seems to show clearly that Poland's sulfur bosses are not particularly good at that vigilance, learning, drawing proper conclusions and avoiding earlier mistakes. The doctrine of huge investment projects which they persistently promote seems to supply enough evidence of this.

At this particular mode of technical progress promotion, wider economic relations stop being elements of analyses, while ecological costs or adverse effects on the goal of judicious exploitation of natural resources are hardly ever considered in economic terms. It is therefore hardly surprising that estimates conceived in such a manner almost always praise the beneficial effect a given undertaking may produce.

The first charge against the current sulfur industry leadership is that while those responsible for this industry are oddly fond of escaping into the past, anxious to enter new mining areas, and covetous of funds for realizing these visions, they are less careful than they should be about what they have under their feet in the way of great unutilized possibilities and reserves. Often enough do we spoil our future only because we pay too little attention to the present.

The Siarkopol corporation is a huge body, facing innumerable problems. Apart from other things, this alone makes it impossible for a reporter to familiarize himself with all the darker corridors and aspects of Siarkopol's work, which, needless to say, is in sharp contrast to its successes which I was given ample opportunity to acquaint myself with in almost every director's study.

In recent year, the per-ton cost of extracting sulfur soared both in Jeziorko and in Machow. Whereas in 1981 it was Zl 1,000 at the Jeziorko drill mine and Zl 2,500 in Machow, by now it is somewhere near Zl 3,000 and Zl 11,000, respectively. At the present output volume of 3.9 million tons from the two mines (Jeziorko 3.3 million, Machow some 0.4 million), Siarkopol's total per-ton cost estimate is roughly Zl 4,500. Since the mean domestic price is Zl 5,500 for the ton, and since transaction prices in the dollar and ruble zones are \$98 and TR90 (at "rolling" prices), respectively, sulfur mining is still a highly profitable kind of business, mainly on account of export revenue.

Hopefully, this profitability is going to persist for a long time yet. But this in no way changes the fact that the steep climb of mining costs has been due largely to inadequate deposit-exploitation techniques. Let us start with the Jeziorko mine. Many experts say this drill mine has unfortunately fallen below the profitability level, among other things because of the cost of subsidiary production materials. The most profitable sulfur mine is a drilling mine with no more than 2.5 million tons output capacity. As soon as this critical output level is surpassed, considerable technical and technological difficulties are bound to emerge, costly hot-water facilities have to be installed, and part of the heat is wasted. All this obviously affects production efficiency. The Jeziorko mine is to expand to 5 million tons output capacity, while no accurate cost estimate has yet been drawn up.

In 1976, a powerful hot-water stream flowed for the first time from the Stalowa Wola heating station to the Jeziorko mine. In effect, some 25 million m³ of the hot water pumped into the Jeziorko deposit was used inefficiently; under normal production conditions, this amount of hot water would suffice to melt 20-30 percent more sulfur than actually was. In effect, hot water consumption per ton of sulfur which is the basic indicator of sulfur mining efficiency, surged vehemently (from 9.7 in 1978 to 11.5 last year). This high hot-water consumption level also results from the inadequate mining techniques, which have increasingly--especially in recent years--involved a single row of heading wells, although mining experience as well as common sense will tell you that at least two or three such rows should be operated. If this particular technique is nevertheless kept to, then probably because drillings in virgin deposits are more likely to ensure high sulfur yields, and this is the enterprise's number-one goal. For the same reason, troublesome wells which used to work with interruptions, or stop temporarily yielding the ore, are closed down before they should be closed--i.e., when still plenty of sulfur is left underground--and drilling is then quickly moved to a new site. This leads to taking new stretches of farmland for industrial use. What are left behind are devastated deposits and a land which is made biologically extinct for several years to come.

It should be pointed out that, after several years of bickering, the Siarkopol management turned down a project submitted by a group of engineers for economically reactivating previously abandoned wells (an idea which had proven itself in several test sites). Nor did the management accept proposals to keep the time of disassembly of equipment at wells after a given deposit had been heated up, and the time of idleness of sulfur-storing facilities and hot-air pipes, to a technically indispensable minimum. Proven and effective

methods of widening clogged extraction channels or of repairing damaged extraction columns were not accepted, either. Above all, however, water must not be pumped into the ground where this can have no production effect. In practice, this method leads to increasingly frequent eruptions which totally devastate both the deposit itself and the equipment installed. If adequate techniques were employed in working the deposit, and especially if the above-mentioned technical projects had been implemented, the Jezioro mine heading would now be at least 5 kilometers to the west of where it is now, while output would be at least the same or even higher.

Meanwhile Siarkopol has (fortunately) been facing increasing difficulties trying to get hold of new mining sites. In the Klonowe village, farmers stood up in defense of their land, demanding new farmsteads in return. The mine's protective zone shrank from 3 to 1 kilometer. The Tarnobrzeg Voivodship Office's Environmental Protection Department told the mine to pay a tax for more than 1,000 hectares of land it had laid waste. While this tax does not hurt the mine very painfully (Zl 10/m²) and the taxable land stretch was delimited very leniently, the mine has now to envisage a new item in its cost sheet and it cannot be sure this new cost is not going to rise. By the way, a comprehensive reclamation bid embracing former mining sites would cost at least Zl 1 billion.

The open-pit mine in Machow is unchallenged as the darkest chapter in the history of Polish sulfur mining. After extraction in Piaseczno had been prematurely halted on the basis of the claim that this deposit was exhausted (while actually some 50 million tons of sulfur remained underground), and after the great show of transporting a huge mining facility over the Vistula, it turned out that the Machow deposit had been barely reconnoitered. Neither the thickness of the layer nor its configuration nor the local water system nor the geological structure at that site justified localizing an open-pit mine in Machow. Moreover, costly mistakes were made in the layout of the extracting facility (among other things, the post-flotation settling tank was localized too close in front of the heading) which, apart from mistakes made in stripping and removing the overlay and from the poor technical reliability of equipment, resulted in damages, catastrophes, and many months of idleness. Cost has always outstripped effect in Machow, and this is so today. A cost of Zl 11,000 for the ton is out of any proportion not only to domestic but even to most favorable transaction prices. Machow seems the management's most beloved yet consistently prodigal child. Some 400,000 tons of sulfur is now extracted there, while the management claims the mine's profitability level is at 600,000 tons yearly output. But these are illusions. Maybe it is true, after all, that miners' benefits are the sole reason for keeping this mine running?

What now?

Generally, Poland's sulfur resources are used in a very wasteful manner. Nearly half of the all proven sulfur resources are lost irretrievably. Exploitation is excessive, and defiant of cost analyses. Poland holds 38 percent of the world's sulfur resources, but at the present exploitation rate it will not take long to deplete them totally--certainly no more than two generations. What will happen then?

I think we ought perhaps to reconsider some proposals made several years ago for a significant improvement of extraction at working and technically operational sites. Some of these, mostly of technical nature, are given above. But I am sure possible improvements in organization may produce even greater benefits. The following is a succinct list of the most important such suggestions:

- a. close the open-pit mine and use the drilling method instead;
- b. establish a closed-circuit hot-water system between Jeziorko and Machow, which may help not only to save energy but also to reduce hot-water use;
- c. start extraction at all previously omitted sites, especially in the western one (with at least 4 million tons of sulfur), and resume extraction at previously abandoned sites;
- d. start sulfur extraction from post-refining waste, which has a 40 percent sulfur content;
- e. move the granulation plant from Gdansk to Jeziorko; and
- f. streamline energy consumption and install an efficient repair base in now largely idle productions halls and other such facilities.

Besides, Siarkopol's organizational structure calls for change (it should be split into several smaller units), because in its present shape it simply cannot tackle all emerging problems. There is a peculiar logic in the management's insistent calls for funds for new sulfur mines, for the bad resource exploitation pattern speeds up deposit depletion, and this in turn forces the management to build new mines, an undertaking of excessively high capital- and material-intensify rates which therefore drives up inflation. One projected mine on the Osiek-Baranow deposit, which fortunately has not passed beyond the stage of a loose idea yet, is to cost Zl 30 billion, while the accompanying energy and infrastructure networks are to cost a staggering Zl 90 billion. In all, Zl 120 billion is to be spent, to say nothing of the far-reaching ecological consequences.

Sulfur's future is primarily in its industrial recovery. This is also true for Poland, because the sulfur has to be extracted from deeper and deeper deposits while costs keep rising.

A recent statement by Jozef Czech, who serves as secretary to the Siarkopol self-management body, tells a lot about the situation. "As a self-management body, we have no effective cost-control tools. Materials for analyses concerning working the deposit, the use of energy and materials, organization, efficiency, sales and processing are supplied by the enterprise's own experts, who are under strong pressure from their superiors. I wonder if we should not perhaps ask outsiders to draw up various analyses for us? I have the feeling this may happen some day."

This should indeed happen some day, because we must not turn a blind eye to practices which harm the national interest.

STATUS, PROSPECTS OF POULTRY PRODUCTION DISCUSSED

Olsztyn GAZETA OLSZTYNSKA in Polish 13 Jun 84 p 5

[Article by Grazyna Zyczko: "What Do Poultry Men Offer?"]

[Text] In 1970 each Pole consumed 3.5 kg of poultry, in 1981--11.6 kg, in 1982--5.5 kg. The demand for eggs reflected a similar trend. In 1970 each Pole bought 186 eggs, in 1981--227, while in 1982 a total of 200. The decline of poultry and egg consumption in recent years is the result of limited poultry production caused by the shortage of foreign currency and restrictions imposed by the United States. The high nutritional and dietetic value of poultry assures a steady market demand. The displacement of pork production by that of poultry is noticeable in Poland as well as in other countries. Is it possible that poultry men will deprive us of our pork chops or even hamburger?

It is not as bad as all that, since there is a marked tendency toward increasing the production of both. These problems were discussed at the first symposium of the Polish Chapter of the World Association for Apprentice and Trainee Poultry Studies which was held at the Olsztyn Agricultural Technology Academy through their initiative and the cooperation of the Olsztyn Poultry Enterprises. In the judgment of the breeders, animal herds compete with poultry for fodder, which in both cases consists mainly of grain. The nutritional requirements for each have been precisely determined, making it possible to balance out the appropriate fodder mixtures by utilizing the available ingredients. Adequate feed supplies should be available for poultry flocks as well as animal herds.

Assistant Professor Dr T. Grabowski of the Poultry Research and Development Center [COBRD] in Poznan indicated that the rate of increase in poultry and egg production at the world level, including Poland, is higher than that of pork. World poultry meat production in the years 1960 to 1980 was two and one-half times higher than that of pork. In our country during the same period, poultry production increased to a record sevenfold, while pork only showed a 150 percent gain. The basis for the preference given to poultry meat production undoubtedly lies in

the fact that poultry utilizes the protein in fodder more efficiently than any of the other slaughter animals. Mastery of production technology and genetic improvements contributed to the rapid development of the poultry industry. The motivations employed in the selection of poultry farming methods are based on the possibilities of reducing production costs and improving product quality. These should be considered as the explanation for the increased interest shown in pullets, which consume 30 percent less food and show a better return. A much desired trait in chickens is a tranquil disposition which shows favorable results in feed to meat ratio utilization. A sedate chicken requires 10 percent less food. A project has been initiated for the reduction of fat tissue content, improvement in the bone to meat ratio and methods of chicken insemination.

Efforts are being made to develop laying hen varieties which will mature earlier sexually. Research is being conducted on eggshell durability, shape and uniformity. Similar tendencies for developmental changes have not been noticed in duck and goose production, which continue to demonstrate regional and seasonal characteristics. Efforts made by some countries to introduce broiler geese have failed. The reason for this failure might be the high fat content of goose meat. There is, however, growing interest in the barberie strain of ducks, and their cross-breeding with Peking varieties is used in the production of fattened livers.

Our poultry breeders are trying to keep pace with the innovations of the rest of the world. Jerzy Bedkowski of the Central Animal Husbandry Station in Warsaw states that the propagation of eating chickens in Poland is conducted in one of the most modern facilities in Zakrzew, under the management of COBRD in Poznan. There are four farms at the primary level for the preservation of genetic purity, while breeders of the secondary category are located all over the country. In the process of improving our broilers we developed a cross-breed variety named "astra," which is presently popular. To preserve this strain, it will be necessary to increase the breeder stock during the next few years.

Breeding of layer hens in Poland carries a rich tradition. This remains so in spite of the fact that in 1960 we had 30 table chicken breeding farms and in 1967 we had 32, which were reduced in 1983 and 1984 to 12. In addition, there are three quality control branches and experimental layer hen breeding stations: OTK Wroniawy, ZZD Chorzelow and ZZD Rossocha. The reduction in the number of breeding farms, according to Asst Prof Grabowski, should be further continued for the purpose of feed economy. The breeder flocks at the Duszniki farm (near Poznan) and at Brodziszew are entirely adequate and the complex of breeding farms with their layer chick incubation facilities also do not require any changes in the near future. It is anticipated that in 1984 and 1985 the number of farms will be limited to four or five, with a reduction in the number of breeds presently utilized in commercial production, while at the same time retaining the remaining strains as a genetic reserve. The output of marketable eggs will be increased by lowering the quantity of feed required to produce 1 kg of eggs by 0.3 kg and increasing egg laying by an additional 5 to 10 per chicken per year.

In comparison with 1982, in 1983 the sale of chickens in our province rose by 800 tons and the sale of eggs improved by 21.1 percent. According to the claims of Asst Dir Edward Misiarczyk, Olsztyn breeders are specializing in raising turkeys. Our district has three turkey farms (Biesal, Gryzliny and Frednowy). In the total of poultry meat produced at our provincial level turkey broilers constitute 50 percent, chickens 40, geese and ducks 10 percent.

In addition to the three referendums presented at the symposium, 19 research papers relating to poultry farming and maintenance were submitted. The purpose of this session was an attempt to acquaint the academic staff and students with the existing poultry production problems in Poland, Hungary and Czechoslovakia, inasmuch as representatives of these countries were participating. Educating the youth farm groups in these matters presents the possibility that some day in the future they will be instrumental in making further advancements in poultry farming economy.

Will symposiums of this sort be held in the future? The principal organizer of the group, Prof A. Paruga, states that if the present gathering is favorably accepted, we intend to repeat the symposium within 2 years.

12306

CSO: 2600/1084

REVISED LAW ON CREDIT AND BANKING SYSTEM

Belgrade SLUZHBI LIST SFRJ in Serbo-Croatian No 32, 22 Jun 84 pp 839-866

[Text of law revised to incorporate supplements and amendments approved by the Legislative and Legal Commission of the Federal Chamber of the SFRY Assembly on 11 April 1984 and signed by its chairman Dr Boris Petkovski: "Law on the Bases of the Credit and Banking System (Revised Text)"]

[Text] Part One. Basic Provisions

Article 1

This law regulates the bases of the credit and banking system wherein are set forth the rights, obligations and responsibilities and the mutual relations of organizations of associated labor, self-managing communities of interest and other social juridical persons with respect to the pooling of labor and capital and the realization of common interests in the furnishing of money resources to perform, improve and expand their activities, and also the rights and obligations of individuals arising out of money-and-credit relations within the framework of the credit and banking system.

Article 2

The bases of the credit system regulate the general conditions for pooling labor and capital, the conduct of transactions with money deposits and securities, the conduct of credit and other banking transactions, and the rights and obligations of participants in the credit system.

The bases of the banking system regulate the types of banking organizations, the general conditions whereby social juridical persons pool labor and capital in them, the right of management, the obligations to maintain liquidity and the bearing of risks in banking organizations, planning and business policy, the use and distribution of income and the formation and use of funds in banking organizations, and the exercise of self-management by workers in the work communities of those organizations.

Article 3

Basic and other organizations of associated labor, work communities as referred to in Articles 379 and 403 of the Law on Associated Labor, self-managing communities of interest, internal banks and other social juridical persons who with the resources with which they do business may perform the obligations or run the risk envisaged by a self-management accord on entry into association to form a banking organization, excluding sociopolitical communities, may enter into association to form banking organizations as self-managing financial organizations.

A self-management accord on entry into association to form a banking organization shall be the basis for such association to form a banking organization.

The parties to a self-management accord on entry into association to form a banking organization shall be the members of the banking organization and by pooling their labor and capital in the banking organization they shall pursue their common interests in furnishing money resources for the performance, expansion and improvement of the activity of organizations of associated labor and other self-managing organizations and communities, as well as other common interests.

For the purpose of this law "banking organization" means internal banks, basic banks and associated banks, specialized financial organizations and savings-and-credit organizations.

A banking organization shall conduct its activity over the entire territory of the Socialist Federal Republic of Yugoslavia.

The area in which a banking organization conducts its activity may not be restricted by acts of sociopolitical communities.

Article 4

The assets with which a banking organization does business, including its own funds, constitute a form of the pooling of labor and capital by basic and other organizations of associated labor, self-managing communities of interest, work communities and other social juridical persons as enumerated in Article 3, Paragraph 1, of this law, a form which comes about on the basis of the self-management accord on entry into association to form the banking organization.

A banking organization shall also conduct its business with resources pooled by social juridical persons which are not its members and civil juridical persons, as well as with the resources of deposits and savings deposits of individuals.

The banking organization shall conduct credit and money transactions among the organizations of associated labor, self-managing communities of interest, work communities and other social juridical persons as enumerated in Article 3,

Paragraph 1, of this law, and shall conduct other deposit, credit and other banking operations within the country and abroad.

Article 5

The banking organization shall conduct its activity on the basis of the self-management accord on entry into association to form the banking organization, in conformity with measures to achieve the goals and perform the tasks of money, credit and foreign exchange policy, and in conformity with law.

Article 6

The banking organization shall conduct its business on the basis of its own medium-term plans, annual plans to fulfill the medium-term plan, and obligations and tasks assumed to fulfill the plans of sociopolitical communities.

The plans of the banking organization shall be adopted on the basis of self-management accords on the bases of those plans which shall be concluded by the basic and other organizations of associated labor, self-managing communities of interest and other social juridical persons which have pooled their labor and capital in it in the manner set forth by law.

Article 7

The revenues which the banking organization realizes through the conduct of its business shall be distributed among themselves, once the operating costs have been met, funds set aside for the work community of the banking organization as a whole, and the joint income determined, by the members of the banking organization who have pooled money resources in the banking organization and by the other social juridical persons using those resources according to the contribution which they have made to the realization of that income in conformity with the self-management accord on entry into association to form the banking organization, its general self-management acts and law.

The members of the banking organization shall decide on the resources required to cover operating costs and to set aside for the work community of the banking organization as referred to in Paragraph 1 of this article in conformity with the self-management accord on entry into association to form the banking organization, its other general self-management acts, and law.

Article 8

The affairs of the banking organization shall be managed by its members.

Any basic and other organization of associated labor, self-managing community of interest, or other social juridical person who pools labor and capital in the banking organization or uses resources pooled in that manner and who is a party to the self-management accord on entry into association to form the banking organization may be a member of the banking organization.

Social juridical persons who did not enter into the self-management accord on entry into association to form the banking organization, but which have pooled money assets in that organization in conformity with the self-management accord on entry into association to form the banking organization and in conformity with law, shall also have certain rights to manage the banking organization insofar as pertains to its transactions with deposit funds.

The right of individuals to participate on the basis of savings and other deposits in management of the business operation of the banking organization insofar as concerns its transactions with those funds and to also realize certain other benefits aside from the agreed interest shall be regulated by the self-management accord on entry into association to form the banking organization on the basis of law.

Article 9

The provisions of the Law on Associated Labor shall be appropriately applied to banking organizations, unless federal law provides otherwise.

Part Two. The Credit System

I. Credit and Banking Transactions

Article 10

The credit and banking transactions conducted within the banking organization pursuant to this law shall specifically include the following transactions:

- 1) the pooling of labor and capital to meet the needs of updating and expanding plant and equipment [literally "the physical basis of operation"] and other needs of associated labor;
- 2) the pooling of money funds of working people and individuals for specified purposes;
- 3) the attraction of other uncommitted money funds and savings deposits of individuals;
- 4) the taking of credits in Yugoslavia and abroad;
- 5) the granting of credits;
- 6) the issuing of guaranties and endorsements;
- 7) the issuance of money cards and transactions conducted with those cards;
- 8) the issuance of and trade in securities;
- 9) foreign exchange transactions and transactions with foreign currencies;
- 10) certain transactions in payments and settlements, in conformity with federal law;

11) banking transactions in the name and on the account of juridical persons and individuals as set forth by this law;

12) banking transactions in its own name but on the account of social juridical persons, in conformity with federal law.

The credit and banking transactions enumerated in Paragraph 1 of this article may also be engaged in by all basic and other organizations of associated labor, self-managing communities of interest, and other social juridical persons to meet needs in the conduct of their regular activity and in conformity with law.

II. Pooling of Labor and Capital for Specified Purposes

Article 11

Labor and capital may be pooled for specified purposes within the framework of or through the mediation of the banking organization by basic and other organizations of associated labor, self-managing communities of interest, banking organizations and other social juridical persons, and funds for specified purposes may also be so pooled by civil juridical persons, working people and citizens.

The labor and capital referred to in Paragraph 1 of this article shall be pooled by conclusion of a self-management accord or contract or on the basis of law.

A sociopolitical community may participate in the pooling of capital for specified purposes as referred to in Paragraph 1 of this article by concluding a contract with the other parties to that pooling arrangement.

Article 12

Labor and capital may specifically be pooled under Article 11 of this law for the following particular purposes:

- 1) to realize joint income;
- 2) for mutual credit financing;
- 3) to regulate mutual settlements and debtor-creditor relations on the basis of purchase and sale of securities and credit financing based on those securities;
- 4) to maintain current liquidity;
- 5) to finance certain needs of associated labor on a nonrepayable basis.

Article 13

The document whereby labor and capital are pooled for investment projects, pursuant to the provisions of the federal law regulating expanded reproduction and past labor, shall set forth the relations between participants in pooling the capital and the users of that capital, but specifically the following:

- 1) the purpose for which the capital is being pooled;
- 2) the amount of capital being pooled and the term for which the capital is being pooled;
- 3) the manner in which the capital is to be pooled;
- 4) the terms and conditions and manner of use of the pooled capital;
- 5) the rights and obligations of users of the pooled capital;
- 6) the bases, scales and manner of participation in the results realized through the pooling of labor and capital;
- 7) the manner in which the risks shall be borne;
- 8) the manner in which the pooled capital shall be managed;
- 9) the conditions and manner of termination of the relations established.

A financial plan setting forth the amounts and sources of capital and the manner and schedule of the furnishing and use of the capital shall be an integral part of the documents whereby labor and capital are pooled for the purposes referred to in Paragraph 1 of this article.

The document whereby labor and capital are pooled for the purposes referred to in Paragraph 1 of this article and the financial plan must conform to the medium-term plan of the participants in the pooling and obligations assumed to fulfill plans of sociopolitical communities.

The banking organization shall set forth in a self-management accord the bearing of risks to cover losses on the basis of investment projects if on the basis of decisions of its members it has participated in pooling the resources of members of the banking organization for those purposes.

Article 14

A self-management accord on the pooling of labor and capital to maintain current liquidity and for other short-term purposes shall set forth the manner of pooling, the rights and obligations of participants in the pooling of labor and capital, and the conditions and manner of termination of the relations established.

Article 15

A banking organization shall participate in the pooling of labor and capital, in accordance with its own line of business, as follows:

- 1) by pooling labor and capital on the account of its members;
- 2) by participating in the pooling of labor and capital on the account of its members within the framework of another banking organization;
- 3) through preparations for conclusion and through participation in conclusion of self-management accords and contracts on the pooling of labor and capital as covered by Articles 11 through 14 of this law;
- 4) through preparations and adoption of the financial plan for the pooling and use of capital under Article 13, Paragraphs 2 and 3, of this law;
- 5) by committing the capital pooled to the specified purpose and by conducting transactions with that capital in conformity with the self-management accord or contract and with the financial plan insofar as its pooling and use is concerned and in conformity with law;
- 6) by furnishing supplemental money resources by attracting savings and other deposits and the like;
- 7) by obtaining credit from other domestic or foreign banking and other financial organizations;
- 8) by issuing securities;
- 9) by purchasing and selling securities;
- 10) by granting credits on the basis of securities;
- 11) by issuing endorsements on securities;
- 12) by issuing guaranties;
- 13) by performing other transactions related to the pooling of capital and the use of capital pooled.

The banking organization shall conclude a contract with participants in the pooling of labor and capital concerning those transactions referred to in Paragraph 1 of this article which will be performed on their account. That contract shall set forth the mutual rights and obligations related to those transactions.

If pooled capital is placed at the disposition of users of that capital through the banking organization, the banking organization shall conclude a contract with the user of the pooled capital concerning the use and repayment of that capital in its own name, but on the account of the participants in the pooling of the capital.

III. Money Deposits

Article 16

For the purpose of this law "money deposits" means money resources which basic and other organizations of associated labor, other social juridical persons, civil juridical persons, working people, citizens, and other physical and juridical persons deposit in a banking organization by making a payment on the basis of a self-management accord, contract or obligation to make a deposit set forth in law.

The document governing the deposit referred to in Paragraph 1 of this article shall contain the detailed conditions for the deposit and withdrawal of funds and the conditions of their use by the banking organization.

Article 17

The banking organization may attract and accept money resources in deposit even if in concluding the deposit contract the depositor of the resources does not specify the purpose for which the resources may be used.

Article 18

A depositor of funds not committed to a specified purpose may subsequently specify the purpose of the funds deposited, under the conditions set forth in the deposit contract.

Article 19

Money deposits may be demand deposits, time deposits for an unspecified period with a required notice period, time deposits for a specified time, deposits for a particular purpose and deposits without a specified purpose.

All funds deposited in the banking organization which the depositor may dispose of without restriction are regarded as demand deposits.

Funds deposited in a banking organization which the depositor may dispose of at the end of the agreed period of time from the date when the depositor has given notice in writing to the banking organization of withdrawal of his deposit are regarded as time deposits for an unspecified period with a required notice period for withdrawal.

Funds deposited in a banking organization which the depositor may dispose of after expiration of a time agreed on when the funds are deposited shall be regarded as time deposits for a specified period.

Funds deposited in a banking organization which may be used only for the purposes and under the conditions set forth in the deposit agreement shall be regarded as special-purpose deposits.

Funds deposited in a banking organization for which the depositor has not specifically stipulated their purpose shall be regarded as deposits without a specified purpose.

Article 20

The banking organization may accept deposits in domestic and foreign means of payment in conformity with this and other federal law.

Article 21

Basic and other organizations of associated labor, self-managing communities of interest and other social juridical persons are required to specify the type of funds and designate one or more basic banks in which such funds shall be kept as demand deposits and conclude a deposit agreement with that basic bank concerning funds which are in accounts with the Social Accounting Service.

Demand deposits may be deposited from one account of a user of social assets only in one bank.

As an exception to the provision of Paragraph 2 of this article, an internal bank may deposit funds which are in its account with the Social Accounting Service in several basic banks in conformity with the demands of its members who have transferred funds from accounts with the Social Accounting Service to the account of an internal bank in order to meet obligations or pool capital in the internal bank.

An internal bank is required to submit to the Social Accounting Service the bases and scales for distribution of the funds referred to in Paragraph 1 of this article at least 6 months before the date when that distribution takes effect.

If a social juridical person under Paragraph 1 of this article adopts a decision to change the basic bank in which it keeps such funds as a demand deposit, it must first discharge obligations under the deposit agreement concluded with the previous basic bank.

The Social Accounting Service is required to apply the provisions of the deposit agreement and to regularly inform the basic bank on the balance of funds in accounts of its depositors referred to in Paragraphs 1 and 2 of this article, in conformity with federal law.

The provisions of Paragraphs 3 and 4 of this article shall also be appropriately applied to a work organization if the workers in all or certain basic organizations making up the work organization have decided to realize the gross income of the basic organization and to dispose of the funds which they manage through the giro account of the work organization.

Article 22

Savings deposits may be in dinars and foreign currency.

Savings deposits in dinars may be attracted by internal and basic banks and savings-and-credit organizations, in conformity with the act establishing them and the provisions of law.

Basic and other organizations of associated labor and cooperatives may attract savings deposits from their own workers and from individuals, provided that they have a separately organized service for the conduct of those transactions.

Basic and other organizations of associated labor referred to in Paragraph 3 of this article may attract only savings deposits earmarked for a special purpose which falls within the framework of their activity.

Savings deposits may also be attracted through other juridical persons if the resources of the deposits originate in savings organized within those organizations (resources of mutual aid bursaries, mutual aid funds, schoolchildren's savings, etc.).

Savings deposits in foreign currencies and deposits in the foreign exchange accounts of individuals and foreign physical persons may be attracted by banks, savings banks or the Postal Savings Bank, in conformity with federal law.

The organizations referred to in Paragraph 6 of this article may also attract savings deposits in dinars from foreign physical persons, in conformity with federal law.

Article 23

Basic banks which engage in attracting savings deposits and other resources of individuals are required to separately conduct and record those funds and credits issued from those funds.

Article 24

The provisions of Article 19 of this law shall also pertain to savings deposits and deposits in the foreign exchange accounts of individuals.

Article 25

Information on savings deposits and on deposits in foreign exchange accounts of individuals shall constitute a trade secret of the banking organization and may be communicated only on written request of a court if judicial proceedings have been instituted against the owner of the savings deposit or deposit in an individual's foreign exchange account.

Article 26

The conditions of the acceptance and withdrawal of savings deposits and deposits in foreign exchange accounts of individuals shall be set forth in the documents embodying the business policy of the banking organization adopted on the basis of the annual plan for implementing the medium-term plan.

Article 27

Banking organizations shall set forth in a self-management accord joint terms and conditions for acceptance and withdrawal of savings deposits and deposits in foreign exchange accounts of individuals.

Article 28

The National Bank of Yugoslavia shall guarantee savings deposits in dinars in basic banks, savings banks and the Postal Savings Bank in accordance with federal law.

The guaranty of the republic or autonomous province may be established under the conditions set forth in law to cover the savings deposits in dinars in other banking and savings-and-credit organizations.

Savings deposits in dinars attracted by organizations of associated labor and internal banks may be insured by a guaranty of a basic bank or other social juridical person.

Article 29

A banking organization may administer the giro account and current accounts of individuals and also the giro accounts of civil juridical persons and conduct payments related to those accounts on the account of the owners of such accounts, in conformity with this law and other regulations.

If the disposition of funds in a giro account and current accounts of individuals and in the giro accounts of civil juridical persons has been made by means of a check whose payment is guaranteed by a basic bank, savings bank or the Postal Savings Bank which issued the check, or by a check issued on an internal bank whose payment is guaranteed by a basic bank--a basic or other organization of associated labor, self-managing community of interest, other social juridical persons and a sociopolitical community are required to accept such a check.

Article 30

Information on transactions conducted by individuals to a giro account and current accounts shall constitute a trade secret of the banking organization.

Information on transactions which individuals conduct through a giro account may be communicated only upon the written request of a court or financial agency of a sociopolitical community.

Information on transactions which individuals conduct through current accounts may be communicated only in conformity with the provision of Article 25 of this law.

IV. Securities

Article 31

A banking organization shall issue securities in the name and on the account of social juridical persons.

A banking organization may issue securities in its own name but on the account of social juridical persons if such securities are sold on a foreign financial market, in conformity with federal law.

A banking organization may issue securities in its own name and on its own account in order to attract liquid money funds.

The issuance of and trade in securities shall be conducted in conformity with federal law.

Article 32

As an exception to the provisions of Article 7, Paragraph 3, of the Law on Securing Payments Between Users of Social Assets, an internal bank may issue instruments guaranteeing payment in its own name, but on the account of members of the internal bank on the bases stated in Article 2, Paragraph 1, of this law, if provision has been made for this in the self-management accord on entry into association to form the internal bank.

If an internal bank has assumed the obligation to issue instruments guaranteeing payments in its own name, but on the account of members of the internal bank, it shall be regarded as the debtor under the provisions of the Law on Securing Payments Between Users of Social Assets.

An internal bank may not be an endorser of a bill of exchange issued by an internal bank in conformity with Paragraph 1 of this article.

Article 33

Bills of exchange received in a flow-through (prolazni) account on the basis of collection of joint revenues as an instrument for securing payment may be discounted and endorsed by the internal bank on the account of participants in the joint revenues, in conformity with the Law on Securing Payments Between Users of Social Assets.

Article 34

A banking organization may sell securities or take credits secured by such securities in conformity with the line of its own business, and for the purpose of attracting liquid money assets.

A banking organization may purchase securities and issue credit on the basis of securities issued by basic and other organizations of associated labor or their internal banks, by self-managing communities of interest, by other social juridical persons and sociopolitical communities, in accordance with the self-management accord on entry into association to form the banking organization, general self-management acts, the medium-term plan, and other decisions, and also in conformity with law and other acts of the bodies of sociopolitical communities.

Article 35

A banking organization may issue an endorsement on securities and guaranties in conformity with the self-management accord on entry into association to form the banking organization, with another general self-management act, the medium-term plan and other decisions of its members.

The general conditions under which banking organizations shall issue endorsements on securities issued by basic and other organizations of associated labor, self-managing communities of interest and other social juridical persons or issue guaranties covering their obligations may be set forth in a self-management accord concluded by banking organizations.

A contract shall be concluded with juridical persons on whose account an endorsement is issued on securities or a guaranty is issued in which the conditions shall be set forth for giving the endorsement or guaranty and the manner of payment of the obligations to the banking organization in case of payments made in connection with the endorsement or guaranty issued.

V. Credits

Article 36

A banking organization may take credits in Yugoslavia and abroad in its own name but on the account of users of the credits, under the conditions set forth in this and other federal law.

A banking organization may in its own name and on its own account take short-term credits in Yugoslavia for the purpose of liquidity, emergency financial rescue credits, and credits which are extended to banking organizations by the National Bank of Yugoslavia, by the national banks of the republics and by the national banks of the autonomous provinces on the basis of federal law and the joint bases of credit policy.

Article 37

Pursuant to the self-management accord on entry into association to form the banking organization, other general self-management acts, the medium-term plan and other decisions of its members, the banking organization may issue all types of credit from pooled assets and other assets.

In extending the credit referred to in Paragraph 1 of this article the banking organization must be mindful of the safety of the loan and of its own liquidity and it shall ascertain the creditworthiness of the loan applicant and shall obtain the guaranties necessary for regular repayment of the credit.

For the purpose of this law "guaranty for regular repayment of the credit" in Paragraph 2 of this article also means an original acceptance bill of exchange or an acceptance bill of exchange which has been honored pursuant to the federal law regulating bills of exchange, marked to the effect that the bill of exchange is nonnegotiable.

In conformity with the medium-term plan of the banking organization and monetary-and-credit policy set forth by the SFRY Assembly, the banking organization shall designate the users of credit, the terms for which it grants credit, the purpose of credit, the percentage of the banking organization's total lendings which the banking organization may use to extend one or more credits to the same user, and other terms and conditions in the granting of credit.

The conditions for granting various types of credit shall be set forth in the documents whereby labor and capital are pooled as referred to in Article 11 of this law and in the documents embodying business policy adopted in conformity with the medium-term plan of the banking organization and in conformity with the current economic policy document set forth by the SFRY Assembly.

Banking organizations may in a self-management accord set forth the terms and conditions for granting various types of credit.

The Federal Executive Council may prescribe the conditions and purposes for granting consumer credits to individuals.

Article 38

The banking organization shall conclude a written contract with the user of credit.

The credit contract shall set forth the terms and conditions of the granting, use and repayment of the credit as well as other rights and obligations of the parties to the contract.

In concluding a credit contract the banking organization is required to abide by banking usages and sound business practices.

Article 39

The banking organization may extend credits to domestic and foreign persons.

Credit may be extended to a foreign person under the terms and conditions set forth in federal law.

Article 40

A banking organization may deposit funds with other banking and financial organizations in Yugoslavia and abroad in conformity with the self-management accord on entry into association to form the banking organization, in accordance with the plan of the banking organization and federal law.

Article 41

The banking organization is required to monitor use for the designated purpose of credits granted to the user of credit and, should it find that the funds approved are not being used for the stipulated purposes, shall cancel the credit contract before the period stipulated in the contract and immediately take steps to collect the credit earmarked for a particular purpose.

The assembly of the banking organization shall issue an order on the manner of exercising the oversight referred to in Paragraph 1 of this article.

VI. Other Transactions

Article 42

A banking organization may conduct foreign exchange transactions and foreign currency transactions under the conditions set forth in federal law.

Article 43

The banking organization may conduct payment and settlement transactions in Yugoslavia on the account of individuals and civil juridical persons in accordance with its line of activity.

An internal bank may conduct certain payment and settlement transactions in the name and on the account of basic organizations of associated labor which are members of that bank, in conformity with this and other law.

Payment and settlement transactions with foreign countries may be performed by the banking organization under the conditions set forth in federal law.

Banking organizations may not conduct payment and settlement transactions in Yugoslavia between social juridical persons.

Article 44

A banking organization may conduct banking operations in the name and on the account of social juridical persons, civil juridical persons and individuals on the basis of a contract stating the terms and conditions, rights and obligations pertaining to those transactions.

Article 45

A banking organization may accept for safekeeping securities, articles of gold and other precious metals, jewelry and other articles.

A banking organization shall set forth the detailed conditions for conducting the transactions referred to in Paragraph 1 of this article.

Article 46

A banking organization may also conduct other banking operations and perform other banking services on the account of domestic juridical persons and individuals.

A banking organization may perform the transactions referred to in Paragraph 1 of this article on the account of foreign juridical and physical persons in conformity with federal law.

VII. Credit and Banking Transactions in Organizations of Associated Labor, Self-Managing Communities of Interest and Other Social Juridical Persons

Article 47

Basic and other organizations of associated labor may grant credits out of the resources which they possess, but within the limits of their line of activity and in order to augment production or trade and to achieve other joint economic interests, to basic and other organizations of associated labor, self-managing communities of interest, other social juridical persons, private farmers, self-employed persons using their own equipment, self-employed persons in the arts or other cultural activity, self-employed lawyers or other professionals, and individuals.

Article 48

Basic and other organizations of associated labor may transfer resources which they possess from their giro account and other accounts with the Social Accounting Service to the giro account of an internal bank in order to pool funds or meet obligations which the internal bank is discharging in its own name, but on the account of its members, except for resources for obligations met from income and resources necessary to meet obligations come due of the members of the internal bank to third persons, and which are not paid through the internal bank.

If the giro account of a member of an internal bank which is a debtor does not have sufficient funds to meet the obligations referred to in Paragraph 1 of this article and other obligations which have come due, the internal bank is required at the request of the competent social accounting service to immediately transfer funds from its own giro account to the giro account of that member of the internal bank required to meet its obligations which have come due up to the amount of the funds placed at the disposition or the pooled resources of that member in the internal bank.

As an exception to the provision of Paragraph 2 of this article, if the self-management accord on entry into association to form the internal bank envisages the liability of the members of the internal bank and their bearing of the risk for obligations, the internal bank is required at the request of the competent social accounting service to immediately transfer funds from its own giro account to the giro account of that member of the internal bank required to meet the obligations come due as referred to in Paragraph 1 of this article for the obligations come due of that member of the internal bank.

If within the period stated in Paragraphs 2 and 3 of this article the internal bank does not transfer the funds necessary to meet the obligations of the member of the internal bank, the Social Accounting Service shall by its order transfer the necessary funds immediately from the giro account of the internal bank to the giro account of the member of the internal bank.

If workers in all or certain basic organizations of associated labor which are members of an internal bank have decided to collect their gross income through the giro account of the work organization and to so dispose of the resources which they manage, the transfer of funds from the giro account of the internal bank and the repayment of funds from the giro account of the internal bank in conformity with Paragraphs 2 through 4 of this article shall be conducted through the giro account of the work organization.

Article 49

Basic and other organizations of associated labor shall set forth in a general self-management act the general framework and conditions under which credits may be granted or indebtedness incurred within its line of activity.

Borrowing and granting of credits outside the limits and conditions set forth in the general self-management act shall be deemed unauthorized disposition of social assets.

Article 50

Basic and other organization of associated labor may extend consumer credits to individuals, private farmers and self-employed persons working with their own equipment within the limits of their line of business and in conformity with the regulations issued by the Federal Executive Council on the basis of Article 37, Paragraph 7, of this law.

Basic and other organizations of associated labor may in relations with workers in those organizations and with individual citizens:

- 1) borrow money and issue debentures to that end;
- 2) attract funds into savings deposits for certain purposes within the limits of its line of activity.

Basic and other organizations of associated labor as referred to in Paragraph 1 of this article shall guarantee repayment of those funds and furnish

compensation for the funds invested in the form of interest and other considerations defined on the basis of law.

The organization of associated labor shall be liable for the money borrowed and obligations assumed in connection with debentures issued up to the amount of all the assets which it possesses, in conformity with law.

Basic and other organizations of associated labor shall stand surety for the obligations they have assumed, but they may also obtain the guaranty of other social juridical persons.

Article 51

Basic and other organizations of associated labor, self-managing communities of interest and other social juridical persons may purchase and sell securities issued by the Federation, the republics and the autonomous provinces.

Article 52

In order to collect money funds through a loan, organizations of associated labor may sell their debentures to foreign persons for dinars and foreign exchange in conformity with federal law.

Article 53

Organizations of associated labor, other social juridical persons and work communities may use funds for social service expenditure to extend credits to workers in those organizations, to purchase dwelling units, to build new residential buildings or for completion of and addition to existing residential buildings and housing units, to put up a down payment for obtaining credit for housing construction, and for other purposes, in conformity with their own general self-management acts and law.

Part Three. The Banking System

I. The Banks

1. Types of Banks

Article 54

Under the provisions of this law banks are internal banks, basic banks and associated banks.

Basic and other organizations of associated labor, self-managing communities of interest and other social juridical persons, and the basic communities and units making them up and related to one another in the process of production and the process of distribution, or in the process of economic activity and the realization of income, shall make decisions on entry into association to form an internal bank.

Basic and other organizations of associated labor, self-managing communities of interest, internal banks and other social juridical persons shall enter into association to form a basic bank as a banking organization which can perform all banking transactions in order to meet broader needs in the pooling of labor and capital which exceed the possibilities and fall outside the limits of the internal bank's activity.

The members of the basic bank shall make decisions on the basic bank's entry into association to form an associated bank in order to pool labor and capital to carry out development plans, programs of current activity and to discharge obligations assumed in fulfillment of the plans of the sociopolitical community, whose fulfillment exceeds the limits and capabilities of the basic bank, as well as to perform certain banking operations of common interest.

2. Internal Banks

Article 55

The internal bank is a self-managing financial organization in which basic and other organizations of associated labor, self-managing communities of interest and other social juridical persons, and the basic communities and units making them up, which are connected to one another in the process of production and process of distribution or in the process of economic activity in the realization of income (hereinafter "members of the internal bank"), shall pool labor and capital on the basis of a self-management accord, conduct business with money funds, and see to the monitoring of the movement of the funds and income of every member of the internal bank separately and the movement of funds at the level of the organization of associated labor, self-managing community of interest and other social juridical person as a whole.

Article 56

Members of the internal bank shall have their own internal (records) accounts in the internal bank through which it is possible for them to do the following:

- i. settle mutual obligations on the basis of sales of goods and rendering of services, except on the basis of investment projects; and
- ii. obtain records on mutual relations of members of the internal bank on the basis of funds pooled in the internal bank, on money transactions which have been made, and also on the basis of the monitoring of movement of funds involved in the business operation of the internal bank.

The official who heads the federal administrative agency competent for financial affairs, on the recommendation of the director general of the Social Accounting Service, shall prescribe the content and manner of the accounting referred to in Paragraph 1 of this article and Article 57, Subparagraph 6, of this law.

The accounting referred to in Paragraph 2 of this article shall be conducted through the giro account of the member of the internal bank or the giro account of the work organization through which the basic organization of associated labor which is a member of the internal bank realizes its gross income and disposes of the funds which it manages.

Article 57

The internal bank may conduct all banking, credit and money transactions which may be performed by its members, in conformity with general self-management acts and with law, and which specifically pertain to the following:

- 1) preparation of proposals for financing development plans and programs of current activity of individual members of the internal bank on the basis of which self-management decisions are made concerning the pooling of labor and capital between basic and other organizations of associated labor and other social juridical persons, concerning the joint realization of income, and concerning the taking of credit in Yugoslavia and abroad;
- 2) the pooling of labor and capital for investment in fixed assets and permanent working capital on behalf of joint realization of income, mutual credit financing or financing on a nonrepayable basis;
- 3) the pooling of funds for mutual short-term credit financing and for maintaining current liquidity;
- 4) the commitment of the money funds of other organizations of associated labor and social juridical persons on the basis of self-management accords on the pooling of those funds to carry out development programs and plans of current activity of basic organizations of associated labor;
- 5) the performance of certain payment and settlement transactions related to the transactions referred to in Article 56 of this law for the members of the internal bank and concern about the regular discharge of payment orders, about mutual credit financing related to the payments made and the computation of interest if the computation of interest has been envisaged in the mutual agreement, and also concerning the acceptance of payments credited to members of the internal bank on the basis of special authorizations and in accordance with the procedure envisaged by general self-management acts, contract or self-management accord, and in conformity with regulations;
- 6) transfer of funds from the flow-through account to the giro account or foreign exchange account of the internal bank if this is envisaged by the self-management accord on entry into association to form the internal bank, along with recording the distribution of those funds in the internal accounts of members of the internal bank who are participants in the joint revenues. The internal bank may transfer funds exceptionally to the provisions of the Law on Establishment and Distribution of Gross Income and Income, provided the joint revenues, in conformity with the self-management accord, are realized and distributed through the flow-through account in the internal bank. The internal bank is required to make a temporary distribution of joint

revenues in an accounting through the giro account of the basic organizations of associated labor participating in the joint revenues or the giro account of the work organization if the workers of the basic organization of associated labor which is a member of the internal bank has decided to realize their gross income and dispose of the funds which they manage through the giro account of the work organization, within the periods of time prescribed in the Law on Establishment and Distribution of Gross Income and Income;

7) payment of obligations in its own name but on the account of members of the internal bank from the funds transferred for a specified purpose to the giro account of the internal bank to pay joint obligations or obligations of a basic organization of associated labor, self-managing community of interest, or basic community or unit within them, except for obligations met from the income of those organizations or communities;

8) concern about conduct of debtor-creditor relations of the members of the internal bank;

9) keeping of records on mutual financial and credit obligations of the members of the internal bank and concern about proposal and prompt performance of measures to correct delinquency in the discharge of those obligations;

10) organizing the borrowing of money funds and the attraction of savings deposits from workers and other working people in basic organizations of associated labor and other members of the internal bank and the payment of their personal incomes through savings account passbooks and current accounts;

11) organization of an effort to attract savings deposits from individuals earmarked for specific purposes and the extension of credit to individuals, but related to the line of activity of the members of the internal bank;

12) the conduct of other banking and financial transactions envisaged by the general self-management act or specific acts, but in conformity with regulations.

The internal bank may conduct transactions envisaged in Article 56 of this law on the account of its members through the internal accounts referred to in this article, on the basis of the self-management accord on pooling of labor and capital in conformity with federal law.

The accounting referred to in Article 56 of this law concerning mutual obligations of the members of the internal bank which have been discharged shall be submitted by the internal bank to the Social Accounting Service on a bi-weekly basis.

In order to ensure the keeping of public records and the performance of information and analytical functions, the internal bank is required to obtain and submit monthly to the Social Accounting Service such data as required by the instruction which will be prescribed by the director general of the Social Accounting Service.

Settlement of mutual debts and claims among members of the internal bank which have arisen on the basis of investment projects may not be conducted through internal accounts in an internal bank.

An internal bank may not accept deposits nor extend credit to other social and civil juridical persons and individuals outside the line of activity of members of the internal bank.

Within the limits of the business operation of the internal bank as stated in Paragraphs 1 and 2 of this article funds of social juridical persons kept in accounts with the Social Accounting Service may not be accepted as sight deposits, nor may credits be granted from those funds.

The information furnished by the internal bank shall have the status of a public document.

The Federal Executive Council shall issue regulations for enforcement of the provisions of Paragraph 1, Subparagraphs 6 and 7, and Paragraph 2, 3 and 4 of this article.

1) Entry Into Association To Form an Internal Bank

Article 58

Basic organizations of associated labor within a work organization or complex organization of associated labor and basic communities and units in self-managing communities of interest and other social juridical persons shall enter into association to form an internal bank on the basis of a self-management accord.

Basic organizations of associated labor from two or more work organizations or complex organizations of associated labor, basic communities and units from two or more self-managing communities of interest and other social juridical persons, and also those organizations of associated labor, self-managing communities of interest and other social juridical persons may enter into association to form an internal bank if they have mutual ties in the process of production and process of distribution or in the process of economic activity and the realization of income.

Article 59

The self-management accord on entry into association to form an internal bank shall be adopted by the workers in the basic organizations of associated labor and the working people in the self-managing communities of interest and other social juridical persons.

The self-management accord is adopted if a majority of the workers of every party to the self-management accord concurs with it.

The self-management accord shall be concluded in the name of the parties to the accord by their authorized bodies.

By virtue of conclusion of the accord referred to in Paragraph 1 of this article the organizations and communities referred to in that paragraph become members of the internal bank.

Article 60

Mutual rights and obligations of members of the internal bank shall be regulated in the self-management accord on entry into association to form the internal bank in conformity with law.

Article 61

The self-management accord on entering into association to form an internal bank shall specifically contain the following:

- 1) the joint aims for which the internal bank is being established;
- 2) the internal bank's line of business;
- 3) the internal bank's name and address;
- 4) rights, liability and the manner of risk-taking of its members for the business operation of the internal bank;
- 5) measures and responsibilities for ensuring the liquidity of the internal bank and its members;
- 6) the conditions and manner of the pooling of capital and of the conduct of business with money assets in the internal bank;
- 7) the procedure for adoption of bylaws and other general self-management acts of the internal bank;
- 8) management procedure and provisions concerning the bodies for management of the internal bank and concerning other organs of the internal bank;
- 9) the manner in which the views of the internal bank's members are to be reconciled, especially related to issues whose resolution requires concurrence of all the members;
- 10) provisions on the professional management entity;
- 11) the procedure for representation and agency of the internal bank;
- 12) the procedure for adoption of the medium-term plan and the annual plan for carrying out the internal bank's medium-term plan and measures to implement them;
- 13) authorization to conduct payment and settlement for members of the internal bank;

- 14) authorization to organize and conduct money-credit transactions with domestic banks and financial organizations as the fully authorized representative of the internal bank's members;
- 15) conditions for acquisition and termination of the right of membership in the internal bank and conditions for withdrawal from the bank;
- 16) the manner of formation, use and distribution of the internal bank's income;
- 17) provisions on the formation and use of resources in the internal bank's funds;
- 18) provisions concerning trade secrecy;
- 19) the manner in which self-management workers' control shall be exercised;
- 20) the manner in which nationwide defense and social self-protection shall be conducted;
- 21) decisionmaking procedure on status changes in the internal bank;
- 22) the way in which the self-management accord on entry into association to form the internal bank shall be amended and supplemented.

Article 62

The members of the internal bank may authorize that bank to organize and conduct money and credit transactions in accordance with their direct orders or conduct certain money and credit transactions in accordance with their development program or plan of current activity and in accordance with measures to carry them out.

Article 63

The internal bank shall enter into association to form a basic bank on the basis of a decision of its members and shall become a member of the basic bank pursuant to the provision of Article 54, Paragraph 3, of this law.

Article 64

The internal bank may also act as the fully authorized representative of its members, for all together or for each of them individually, before domestic banking and other financial organizations and within the limits of regulations and powers granted may conclude all money and credit transactions with them and take action to conduct those transactions.

Article 65

On the basis of a self-management accord or contract a member of an internal bank may authorize the internal bank to transfer the resources of credit

taken on its account to the giro account of the internal bank and to use those resources to discharge the member's obligations which have come due.

The influx of funds on the basis of credit and payments from those funds shall be recorded in the internal accounts of the members of the internal banks in which the other funds of the members of the internal bank are recorded.

Article 66

The internal bank's members may transfer their uncommitted reserve money funds to the giro account of the internal bank for temporary use to maintain liquidity and to pay obligations of the internal bank's members, in conformity with federal law.

Article 67

The internal bank shall be a juridical person with the rights, obligations and responsibilities which it has on the basis of the constitution, law and the self-management accord on entry into association to form the internal bank.

The internal bank shall conduct business through its own giro account.

Article 68

Funds which a member has pooled or deposited in the internal bank shall constitute an integral part of its total assets and may be used to discharge its obligations to third parties.

Article 69

An internal bank may commence operation with entry in the court register.

Entry in the court register shall be made at the request of the authorized person, who shall submit the following:

- 1) an application for entry in the court register;
- 2) the self-management accord concluded concerning entry into association to form the internal bank;
- 3) other documents required by regulations on entry in the court register.

Article 70

In work organizations whose structure includes basic organizations of associated labor, in complex organizations of associated labor, and in self-managing communities of interest whose structure includes basic communities a special financial service may be organized to conduct the business envisaged by the general self-management act of those organizations and communities in conformity with this law.

The way in which the special financial service is to be organized, the subject matter of its business and its authorities shall be regulated by a general self-management act of the organizations and communities referred to in Paragraph 1 of this article or a specific general self-management act on the organization and operation of that service.

A body consisting of delegates of the workers and other working people of the organizations for which it conducts business shall manage the special financial service.

Article 71

The special financial service referred to in Article 70 of this law may conduct banking, credit and money transactions which may be performed by the organizations and communities which have organized it, in conformity with general self-management acts, but in particular shall conduct business pertaining to the following:

- 1) preparation of proposals for financing the tasks envisaged by the development program and work plan of the individual members on the basis of which self-management decisions shall be made on pooling labor and capital among the basic and other organizations of associated labor concerning the joint realization of income;
- 2) the pooling of labor and capital for investment in fixed assets and permanent working assets for the purpose of joint realization of income, mutual credit financing or financing on a nonrepayable basis;
- 3) the pooling of capital for mutual short-term credit financing and for maintaining current liquidity;
- 4) the commitment of the money funds of other organizations of associated labor on the basis of self-management accords on the pooling of that capital to carrying out development programs and plans of current activity of basic organizations of associated labor;
- 5) the accounting of the mutual obligations of the basic organizations through their internal accounts in the work organization or complex organization of associated labor or self-managing community of interest and the payment of their obligations;
- 6) the furnishing and keeping of records on the basis of the pooling of capital and the use of pooled capital for purposes of social information and to inform the organizations and communities which have organized the special financial service;
- 7) concern about the conduct of debtor-creditor relations of the organizations and communities which organize the special financial service;
- 8) the keeping of records on mutual financial and credit obligations and concern about the proposal and prompt implementation of measures to correct delinquency in the discharge of those obligations;

9) the organization of the borrowing of money funds and the attraction of savings deposits from workers and other working people in the organizations which have organized the special financial service and the paying out of funds from savings and their personal incomes through savings account pass-books;

10) performance of other financial business in conformity with the general self-management act referred to in Article 70 of this law.

The accounting of the mutual obligations referred to in Subparagraph 5 of this article shall be done through the giro accounts of the organizations and communities which have organized the special financial service and shall be submitted biweekly to the Social Accounting Service.

In order to provide for social recordkeeping and purposes of information and analysis, the special financial service must furnish and submit monthly to the Social Accounting Service the data required by an instruction issued by the director general of the Social Accounting Service.

Article 72

The special financial service shall not have the status of a juridical person.

The special financial service shall conduct business through a giro account and other accounts of the work organization whose structure includes basic organizations of associated labor, the complex organization of associated labor and the self-managing community of interest whose structure includes basic communities in which the special financial service has been organized, in conformity with general self-management acts.

The general self-management act referred to in Article 70 of this law shall set forth the rights, obligations and responsibilities of the personnel conducting the business of the special financial service.

A regulation on enforcement of the provisions of Articles 70, 71 and 72 of this law shall be issued by the official heading the federal administrative agency competent for financial affairs on the recommendation of the director general of the Social Accounting Service of Yugoslavia.

Article 73

The official heading the federal administrative agency competent for financial affairs shall on recommendation of the director general of the Social Accounting Service describe the content and manner of preparation of the accounting referred to in Article 71, Subparagraph 5, of this law, no later than 30 days from the date when this law is enacted.

Article 74

Other social juridical persons, aside from the organizations and communities referred to in Article 70 of this law, may in a specific self-management accord organize a special joint service for the conduct of financial and accounting functions.

The self-management accord referred to in Paragraph 1 of this article shall specifically set forth the following: the manner of organization, the business subject matter and mutual rights, obligations and responsibilities between the special joint service and the social juridical persons who organized it.

2) Management and Decisionmaking

Article 75

The internal bank shall be managed on the principles of the delegate system by the workers in the basic organizations of associated labor and the working people in self-managing communities of interest and other social juridical persons who have concluded a self-management accord on entry into association to form an internal bank and have thereby become its members.

The members of the internal bank shall have the same rights in management of the bank.

The way in which decisions shall be made in the internal bank shall be defined in greater detail in the self-management accord on entry into association to form the internal bank or other general self-management act.

Article 76

Social juridical persons who have not entered into the self-management accord on entry into association to form the internal bank, but who have pooled their capital for certain purposes through the internal bank on the basis of a specific self-management accord, shall manage the capital pooled for that purpose, shall participate in the distribution of revenues, and shall bear the risk which rises out of the conduct of business with that capital.

Article 77

The assembly shall be the governing body of the internal bank, and the business board shall be its executive body.

Article 78

The internal bank may also have other bodies to which the internal bank's assembly assigns certain executive and advisory tasks.

The self-management accord on entry into association to form the internal bank and other general self-management acts of the internal bank shall define

the bodies, the makeup of the bodies, the manner of election and recall of members of bodies, their rights, obligations and responsibility, and their mutual relations.

Article 79

The internal bank's assembly shall be made up of delegates of all the members of the internal bank.

Delegates in the internal bank's assembly may not be elected for a term longer than 2 years.

The internal bank's assembly shall meet according to necessity, but at least once annually.

Article 80

As a governing body, within the limits of its competency, but on the basis of concurrence of all the members of the internal bank, the internal bank's assembly shall:

- 1) adopt the general self-management acts of the internal bank;
- 2) adopt the medium-term plan of the internal bank and the annual plan for carrying out the medium-term plan;
- 3) decide on the internal bank's changes in status.

The internal bank's assembly shall specifically decide on the following:

- 1) measures to carry out the internal bank's medium-term plan and documents embodying the internal bank's business policy;
- 2) the upper limit of the internal bank's indebtedness;
- 3) measures to ensure the internal bank's liquidity and the proposal of measures for the liquidity of its members;
- 4) report on the internal bank's operation;
- 5) submittal of the internal bank's year-end statement and on the use and distribution of income earned;
- 6) the plan of revenues and expenditures and the internal bank's financial plan;
- 7) election and dismissal of members of the business board and other bodies of the internal bank;
- 8) adoption of the self-management accord on the internal bank's mutual relations with the personnel of the work community in the internal bank;

- 9) appointment of the professional management of the internal bank;
- 10) other matters pursuant to the self-management accord on entry into association to form the internal bank.

Article 81

The general self-management acts of the internal bank shall set forth the composition, number of members and jurisdiction of the internal bank's business board.

The internal bank's business board shall be elected from among delegates of the internal bank's assembly.

Members of the internal bank's business board may not be elected for longer than 2 years.

Article 82

The internal bank's business board shall specifically perform the following tasks:

- 1) adopt the decision to call meetings of the assembly and other bodies of the internal bank;
- 2) prepare proposals to be decided by the assembly of the internal bank;
- 3) see to the fulfillment of the tasks of the medium-term plan of the internal bank and the annual plan to implement the medium-term plan and other decisions of the internal bank's assembly;
- 4) make decisions on the internal bank's affairs between meetings of the assembly, but within the limits of the power set forth in general self-management acts and specific decisions of the internal bank's assembly;
- 5) see to maintenance of the liquidity of the internal bank and of its members and undertake and conduct measures to that end;
- 6) make decisions on extension of short-term credits which it has been empowered to adopt by the internal bank's general self-management acts;
- 7) establish committees and commissions to perform specific tasks within the competency of the internal bank, define their rights and name their members;
- 8) furnish initiative and examine proposals for financing development plans and programs of current activity of the internal bank's members on the basis of which self-management decisions are being made on the pooling of labor and capital on the basis of joint realization of income, mutual credit financing or financing on a nonrepayable basis;

9) furnish initiative and examine proposals for pooling labor and capital on the basis of joint realization of income, credit financing or financing on a nonrepayable basis with other organizations of associated labor, self-managing communities of interest and other social juridical persons who are not members of that internal bank;

10) furnish initiative and examine proposals for obtaining credit in Yugoslavia and abroad.

The internal bank's business board is required to convene the internal bank's assembly if this is requested by a third of the members of the internal bank.

Article 83

The internal bank shall have its professional management, which may be either an officer or a body.

The conditions and manner of appointment and dismissal of the professional management officer or the chairman and members of the professional management body shall be regulated by the self-management accord on entry into association to form the internal bank, in conformity with law.

Article 84

The professional management officer or chairman of the professional management body of the internal bank shall represent the internal bank before third persons.

The professional management officer or chairman of the professional management body of the internal bank shall be accountable for the lawfulness of the internal bank's operation and for its meeting obligations prescribed by law.

The internal bank's professional management officer shall carry out, enforce or see to enforcement of the decisions of the assembly, the business board and other bodies of the internal bank.

The professional management officer or chairman of the professional management body of the internal bank shall have the right and duty to participate in the proceedings of bodies of the internal bank without the right to vote.

The professional management of the internal bank shall furnish the initiative and submit proposals for improving the activity of the internal bank and its members and for realizing the conditions for fulfillment of the medium-term plans of the internal bank and its members.

The professional management of the internal bank shall be accountable for the lawfulness of the internal bank's operation, for the internal bank's enforcement of social compacts and self-management accords which the members of the internal bank enter into, for application of the provisions of the self-management accord on entry into association to form the internal bank and its general self-management acts, for conformity of the internal bank's business

operation with the bank's medium-term plan and the annual plan for fulfillment of the medium-term plan, and for maintaining the internal bank's liquidity.

In conformity with the tasks referred to in Paragraph 4 of this article, the internal bank's professional management shall collaborate with the professional management of the internal bank's members, shall direct the work of the internal bank's work community, and shall carry out the internal bank's development program.

The internal bank's professional management shall be accountable for its work to the internal bank's business board and assembly.

Article 85

If the professional management officer or chairman of the professional management body of the internal bank judges that an act of a body of the internal bank is contrary to law and other regulations, the self-management accord on entry into association to form the internal bank, the bylaws, or other general self-management act, it shall so advise the body which adopted that act.

If even after being advised the body which adopted that act should stand by its act, the professional management officer or chairman of the professional management body shall stay execution of that act in conformity with law and shall so inform the competent body of the sociopolitical community within 3 working days from the date when the act was stayed.

If the professional management officer or chairman of the professional management body of the internal bank deems that an act of the work community is contrary to law and other regulations, the self-management accord which has regulated relations between the internal bank and its work community, or other general self-management act of the bank which pertains to the bank's work community, it shall so advise the work community. If even after being so advised the work community stands by its acts, the professional management officer or chairman of the professional management body shall stay execution of that act in conformity with law and shall so inform the competent body of the sociopolitical community within 3 working days from the date of the stay.

Article 86

The rights, duties and responsibility of the professional management of the internal bank shall be set forth in detail in the self-management accord on entry into association to form the internal bank and in its other general self-management acts.

The rights and duties of the professional management of the internal bank relative to the internal bank's work community shall be set forth in general self-management acts of the internal bank and a self-management accord concluded between the internal bank and its work community.

Article 87

Regulations on the professional management of organizations of associated labor shall be appropriately applied to the professional management of the internal bank unless this law provides otherwise.

3) Maintaining Liquidity and Bearing Risks

Article 88

The internal bank shall conduct business in a manner guaranteeing the discharge of its obligations both completely and promptly and shall thereby maintain its liquidity and the liquidity of its members.

The self-management accord on entry into association to form the internal bank, the medium-term plan and annual plan to carry out the medium-term plan of the internal bank and of its members shall state the manner, measures and responsibilities for maintaining the internal bank's liquidity.

Article 89

The obligations of the internal bank shall be met with the funds in its giro account.

If the balance in the internal bank's giro account is not sufficient to meet obligations, the resources of its reserve fund shall be used.

The resources of the reserve fund used for the purposes referred to in Paragraph 2 of this article shall be restored in the manner and under the conditions set forth by law and other regulations which apply to organizations of associated labor in connection with use of resources of the reserve fund.

Article 90

If the internal bank's obligations cannot be met through the procedure envisaged in Article 89 of this law, those obligations shall be met by the members of the internal bank in accordance with the procedure envisaged by law or other regulations which apply to organizations of associated labor.

Article 91

The internal bank shall write off uncollectable claims under credits which have been granted and charge them to the income which it realizes in the conduct of its business.

If uncollectable claims cannot be written off and charged to the internal bank's income, the writeoff shall be charged to the resources of the internal bank's reserve fund.

If the writeoff of claims cannot be charged to the resources of the reserve fund, the internal bank's assembly shall decide on the manner in which the

claim shall be written off and on the sources of funds from which that write-off shall be made.

The resources of the internal bank's reserve fund used to write off uncollectable claims must be restored to that fund within a period which may not be longer than 5 years, it being further provided that at least one-fifth of the funds used be restored every year.

Article 92

The internal bank shall be liable for its obligations with all the assets which it possesses.

If the resources of the internal bank's reserve fund and other capital which the members of the internal bank have pooled in the internal bank are not sufficient to meet its obligations, the members shall also be liable for the internal bank's obligations with other assets in proportion to the total assets which they possess, in the following order:

- 1) resources of the reserve fund;
- 2) the money portion of the resources of the business fund.

The liability of members for the obligations of the internal bank shall be set forth in detail in the self-management accord on entry into association to form the internal bank.

Article 93

If an internal bank terminates its operation, claims of individuals based on savings deposits and current accounts shall be met before the claims of other creditors of that bank are met.

4) Planning and Business Policy

Article 94

The internal bank's plans shall set forth the relations, rights and obligations of the internal bank's members by virtue of their common interests in pooling labor and capital out of income and the circulation and concentration of that capital for the purpose of joint realization of income and other common interests insofar as they are realized through the internal bank.

Article 95

The internal bank shall adopt a medium-term plan and annual plan to carry out the medium-term plan.

The self-management accord on the bases of the internal bank's plan, concluded by the internal bank's members, shall comprise the basis for the internal bank's medium-term plan.

The internal bank's medium-term plan shall be adopted in the manner set forth in the self-management accord on establishment of the internal bank, its by-laws, and law.

The annual plan for carrying out the internal bank's medium-term plan shall be adopted in the manner set forth in the self-management accord on establishing the internal bank and its bylaws.

Article 96

The internal bank's medium-term plan, predicated upon the joint goals of the internal bank's members to augment their own income and total social income and to raise labor productivity, shall specifically contain the following:

- 1) the joint goals and tasks of development which are to be realized in that plan;
- 2) the level, manner and goals of pooling labor and capital, and the purposes and conditions of use of the capital pooled;
- 3) the manner and conditions of attraction of funds and the purposes and conditions of use of the funds attracted;
- 4) the manner and conditions of the taking and use of credit and loans;
- 5) the manner of the formation and use of the capital pooled in the internal bank's fund;
- 6) the manner in which its members shall bear the risks arising out of the business operation of the internal bank;
- 7) the way in which the liquidity of the internal bank and its members shall be maintained;
- 8) the manner in which the income jointly realized in the internal bank shall be distributed.

The financial section of the internal bank's medium-term plan shall be drawn up for the entire medium-term period and also by years.

Article 97

The annual plan to carry out the internal bank's medium-term plan shall bring the possibility for fulfillment of the medium-term plan into line with the capabilities of the internal bank and its members.

The annual plan to fulfill the internal bank's medium-term plan shall specifically contain the following:

- 1) sources and conditions of the pooling, borrowing and attraction of funds and the purposes and conditions of their use;

- 2) purposes and conditions of the granting of credit;
- 3) the plan of revenues and expenditures and the plan of the internal bank's credit balance.

Documents implementing that plan shall also be adopted along with the annual plan for carrying out the internal bank's medium-term plan, specifically the following:

- 1) a document on the manner and measures for fulfilling the internal bank's annual plan;
- 2) the schedule of charges for the services rendered by the internal bank;
- 3) a document on procedure and measures for maintaining the liquidity of the internal bank and its members;
- 4) the internal bank's financial plan pursuant to Article 13 of this law.

The documents embodying the internal bank's business policy must be in conformity with the annual plan for carrying out the internal bank's medium-term plan.

Article 98

In accordance with the authority granted it, and in order to expand the opportunities for the exercise of its rights and fulfillment of the plans of its members, the internal bank shall:

- 1) conclude self-management accords with other banking organizations concerning joint measures to fulfill self-management plans;
- 2) enter into consortiums with other banking organizations, organizations of associated labor and other social juridical persons in order to fulfill certain development plans and programs of current activity of its members or other social juridical persons.

Article 99

The internal bank is required to regularly inform its members about the fulfillment of plans and implementation of documents embodying business policy.

The dates, content and manner of reporting shall be set forth in the general self-management acts of the internal bank.

5) Self-Management Workers' Control

Article 100

In order to exercise and protect their self-management rights with respect to managing affairs and resources in the totality of relations concerning social

reproduction, the workers in organizations of associated labor and the working people in self-managing communities of interest and other social juridical persons who are members of the internal bank shall exercise self-management workers' control through the governing bodies of the internal bank and through a specific body for self-management workers' control within the internal bank.

Article 101

The body for self-management workers' control shall exercise oversights specifically with respect to enforcement of the following:

- 1) the self-management accord on entry into association to form the internal bank;
- 2) general self-management act of the internal bank;
- 3) the medium-term plan and documents embodying the internal bank's business policy;
- 4) the decisions of the bodies of the internal bank;
- 5) socially responsible and economically expedient use of social assets and their disposition;
- 6) informing members of the internal bank on matters of interest to the taking of decisions and oversight of the work of the internal bank.

Article 102

The makeup of the body for self-management workers' control and the manner of election and recall, and the rights, duties and responsibilities of the members of the body for self-management workers' control in the internal bank shall be set forth in the self-management accord on entry into association to form the internal bank or in other general self-management acts of the internal bank, in conformity with law.

A member of the body for self-management workers' control may not at the same time be a delegate in the bank's assembly, a member of the business board, or a member of other bodies to which the internal bank's assembly assigns specific executive and advisory tasks, or of the professional management.

Article 103

The professional management of the internal bank is required to make the necessary documentation available to the body for self-management workers' control and to allow it to examine the operation of the internal bank and to see that it can exercise oversight.

Article 104

The body for self-management workers' control in the internal bank has the right and duty to report things it has discovered and its opinion to the bodies and services of the internal bank in which it has noticed those things and the bodies of the internal bank which have the right and duty to correct those things.

The bodies of the internal bank shall examine the report and opinion of the body for self-management workers' control and shall notify the members of the internal bank concerning the measures taken.

If the bodies of the internal bank do not promptly correct the things which have been detected, the body for self-management workers' control shall so inform the competent body for social surveillance or the competent body for exercise of oversight over the lawfulness of operation of the internal bank.

6) Formation, Use and Distribution of Revenues

Article 105

The revenues of the internal bank shall be formed from the following:

- 1) charges for the rendering of banking services;
- 2) interest on credits granted;
- 3) other revenues which the internal bank realizes through its business operation, in conformity with its general self-management acts and regulations.

Article 106

The revenue and joint income which the internal bank realizes through its business operation shall be distributed in the manner envisaged in Article 7 of this law, in accordance with the self-management accord for entry into association to form the internal bank.

If the revenues which the internal bank realizes are not sufficient to cover the needs referred to in Paragraph 1 of this article, the members of the internal bank shall establish the way in which the necessary funds shall be furnished.

Article 107

The operating costs of the internal bank referred to in Article 7 of this law include interest on credits and other funds received, fees for banking services, writeoffs of uncollectable claims, depreciation, costs for office space and equipment, and other business costs in conformity with the self-management accord on entry into association to form the internal bank.

Article 108

The personnel in the internal bank's work community shall realize income from the revenues which the internal bank realizes in the conduct of its business as a function of their respective contribution in the business operation of the internal bank and in satisfying the needs and interests of the internal bank's members.

The personnel of the internal bank's work community shall obtain funds for personal incomes and social service expenditure in conformity with the bases and scales set forth in the self-management accord concluded between the internal bank and its work community and in conformity with social compacts concerning distribution of funds for personal incomes and for social service expenditure of workers in associated labor and of personnel in work communities of the members of the internal bank.

The self-management accord referred to in Paragraph 2 of this article shall guarantee that the funds for the work community depend on the amount and quality of work and the level of responsibility of the work community of the internal bank.

Article 109

If claims become uncollectable through the fault of the work community, the assembly of the internal bank may decide that the writeoff of uncollectable claims be partially or entirely charged to the funds possessed for the work community of the internal bank.

7) Funds

Article 110

The internal bank shall have the following funds in order to build up resources to guarantee security and liquidity in the conduct of business and to provide for plant and equipment:

- 1) the reserve fund;
- 2) the fund of fixed capital.

The balances of the funds referred to in Paragraph 1 of this article shall be built up from the pooled income of members of the internal bank which its members pool, but on the basis of the self-management accord on entry into association to form the internal bank, its general self-management acts and regulations.

The resources of the internal bank's funds shall be kept in the name of the members of the internal bank.

The resources of the internal bank's funds shall be used in accordance with the self-management accord on entry into association to form the internal bank and its general self-management acts and on the basis of law.

Article 111

The resources of the reserve fund shall be used for the writeoff of uncollectable claims and to cover other risks arising out of the internal bank's business operation and to maintain the internal bank's current liquidity.

Article 112

The resources of the reserve fund shall be kept separate in a specific account with the Social Accounting Service.

Article 113

The resources of the reserve fund may be used in conformity with law and other regulations defining the manner of use of those resources in organizations of associated labor unless this law provides otherwise.

Article 114

Resources of the members of the internal bank shall be pooled into the reserve fund in the amount set forth in the self-management accord on association to form the internal bank.

Article 115

When members of the internal bank renounce the self-management accord on entry into association to form the internal bank, they may withdraw their contribution to the reserve fund from the fund or transfer it to other members of that bank.

The self-management accord on entry into association to form the internal bank and its general self-management act shall state the conditions, periods of time and manner of withdrawal or transfer of contributions from the reserve fund.

The conditions, periods of time and manner of withdrawal or transfer of contributions from the reserve fund in accordance with the provision of Paragraph 2 of this article may only guarantee the security of business operation and liquidity of the internal bank.

Renunciation of the accord referred to in Paragraph 1 of this article does not relieve the internal bank's member which has renounced the accord from its obligations assumed before that renunciation or of the risks which have arisen out of the internal bank's business operation during the time of its membership in the internal bank.

Article 116

The resources of the fund of fixed capital of the internal bank shall consist of the business premises, furniture, machines and other equipment used for performance of its business activity.

The money portion of the resources in the fund of fixed capital shall be used by the internal bank for the conduct of its business.

Article 117

A member of an internal bank shall not have the right to withdraw capital pooled in the fund of fixed capital. As an exception, at the request of a member, the assembly of an internal bank may adopt a decision to restore to a member of the internal bank liquidating its business operation the money amount of funds pooled in the fund of fixed capital after it has met its obligations to the internal bank.

8) The Work Community

Article 118

Personnel performing administrative and professional, auxiliary and other similar tasks of the internal bank may establish one or more work communities on the basis of a self-management accord.

The personnel in the work community of the internal bank shall be responsible for prompt and effective performance of the tasks which the work community performs in the internal bank.

Relations between the internal bank and its work community shall be regulated by a self-management accord on the mutual rights, obligations and responsibilities as a function of the contribution of the work community in achieving the business results of the internal bank on the basis of the year-end statement of the internal bank.

Article 119

The self-management accord referred to in Article 118, Paragraph 3, of this law shall specifically contain the following:

- 1) mutual rights, obligations and responsibilities of the personnel of the work community and the internal bank;
- 2) rights, obligations and responsibilities of the work community for performance of the tasks of the internal bank;
- 3) the manner in which the work community shall be supervised and the rights, obligations and responsibilities in supervision of the work community for performing the tasks of the work community;
- 4) the bases and scales for setting aside funds for personal incomes and social service expenditure of the personnel of the work community, pursuant to Article 108 of this law;
- 5) powers and responsibilities of the work community for use of the resources of the fund of fixed capital of the internal bank and also the manner in

which funds shall be furnished to cover the material costs of the internal bank and funds to expand the internal bank's plant and equipment;

6) the manner in which the work community shall be organized.

Article 120

The work community of the internal bank, in conformity with law and a self-management accord concluded with the internal bank, shall adopt the following:

- 1) a self-management accord on the pooling of labor by the workers to form the work community;
- 2) the bylaws of the work community;
- 3) other general self-management acts.

The acts referred to in Paragraph 1 of this article shall regulate mutual relations in employment and the manner of exercise of the self-management rights of the personnel of the work community of the internal bank.

Article 121

The work community shall be officially instituted by the following acts:

- 1) conclusion of the self-management accord on mutual rights, obligations and responsibilities of the personnel of the internal bank's work community;
- 2) election of the work community's workers' council;
- 3) adoption of the work community's bylaws.

Article 122

Regulations which pertain to the official institution, conduct of business, status, self-management workers' control and termination of the operation of the work community of organizations of associated labor shall be appropriately applied to the work community of the internal bank.

3. Basic Banks

- 1) Entry Into Association To Form a Basic Bank

Article 123

The basic bank is a self-managing financial organization in which basic and other organizations of associated labor, self-managing communities of interest, internal banks and other social juridical persons as referred to in Article 3 of this law pool their labor and capital in order to pursue common interests and furnish money funds for the performance, expansion and

improvement of their activities and to pursue other common interests, as well as to conduct money, credit and other banking transactions.

The association to form a basic bank shall be entered into by virtue of a self-management accord.

The self-management accord is deemed adopted when a majority of the workers of each participant in the self-management accord has concurred in it.

The self-management accord shall be concluded in the name of the participants in the accord by their authorized entities.

Article 124

A basic bank may be established if the participants in a self-management accord on entry into association to form the basic bank provide the funds and furnish the other conditions necessary for its operation.

The self-management accord on entry into association to form the basic bank shall set forth the conditions referred to in Paragraph 1 of this article.

The participants in the self-management accord on entry into association to form a basic bank shall become its members and shall manage the basic bank as a whole.

Article 125

Mutual rights and obligations of members of a basic bank who pool their labor and capital in the basic bank shall be regulated by the self-management accord on entry into association to form the basic bank.

Article 126

A basic bank may perform all banking tasks and transactions under the conditions envisaged by law.

Article 127

The self-management accord on entry into association to form the basic bank shall specifically contain the following:

- 1) the joint aims which are the reason for establishing the basic bank;
- 2) provisions on the capital being pooled in the basic bank in order to furnish the conditions for commencement of the basic bank's operation and also concerning the procedure and date for the pooling of that capital;
- 3) the basic bank's line of business;
- 4) the name and address of the basic bank;

- 5) the rights, liability and risk-taking of its members for the business operation of the basic bank;
- 6) measures and responsibility for guaranteeing liquidity;
- 7) conditions and procedure for the pooling and business employment of money funds;
- 8) the procedure for enactment of the bylaws and other general self-management acts of the basic bank;
- 9) the way in which the basic bank is to be managed and provisions concerning the governing bodies of the basic bank;
- 10) the manner and content of information to be furnished to the members of the basic bank about its business activity;
- 11) the manner in which the views of the basic bank's members are to be reconciled, especially in relation to questions whose resolution requires the consent of all members;
- 12) provisions concerning the professional management;
- 13) the qualifying conditions for membership in the basic bank and the conditions for termination of that right and conditions for withdrawal from the bank;
- 14) the forms of direct disposition of pooled capital and direct decisionmaking by the members of the basic bank;
- 15) procedure for adoption of the agreement on the bases of the medium-term plan of the basic bank and the procedure for adoption of the annual plan to carry out the medium-term plan and measures to implement them;
- 16) procedure for the formation, use and distribution of revenue;
- 17) the way in which the resources of the basic bank's funds are formed and used;
- 18) the manner in which self-management workers' control shall be exercised;
- 19) the procedure for decisionmaking on changes in the basic bank's status;
- 20) the way in which amendments and supplements to the self-management accord on entry into association to form the basic bank shall be adopted;
- 21) conditions for termination of the basic bank's operation and the manner in which the decision on that matter shall be adopted;
- 22) basic provisions on the internal organization of the basic bank;

23) the basic position of the personnel in the work community of the basic bank and the rights, obligations and responsibilities in supervision of the work community.

Article 128

The basic bank shall have bylaws.

The bylaws of the basic bank must be consistent with the self-management accord on entry into association to form the basic bank.

If the bylaws or other general self-management act of the basic bank are not consistent with the self-management accord on entry into association to form the basic bank, the provisions of the self-management accord shall be effective.

The bylaws of the basic bank shall if necessary elaborate in more detail the provisions of the self-management accord on entry into association to form the basic bank.

The bylaws shall specifically regulate the following:

- 1) linkage of money flows in the basic bank on a self-management basis;
- 2) the manner in which mutual relations between the basic bank and its work community shall be regulated;
- 3) provisions concerning trade secrecy and nationwide defense;
- 4) the basic bank's agents and signatories;
- 5) the status of the business units of the basic bank.

The bylaws may also contain other provisions important to the business operation of the basic bank.

Article 129

The basic bank shall be a juridical person with the rights, obligations and responsibilities which it assumes thereby on the basis of the constitution, laws and the self-management accord on entry into association to form the basic bank.

The basic bank may commence operation upon entry in the court register.

Entry in the court register shall be made at the request of the authorized person, who shall submit the following:

- 1) application for entry in the court register;

2) the self-management accord concluded on entry into association to form the basic bank;

3) certificate of the competent authority in the republic or autonomous province in whose jurisdiction the headquarters of the basic bank are located to the effect that it has met the conditions for establishment of a bank stated in Article 124 of this law;

4) other documents required by regulations on entry into the court register.

Article 130

The members of the basic bank may decide to establish a business unit of the basic bank in which they shall manage certain affairs of the bank, in conformity with the self-management accord on entry into association to form the basic bank.

The basic bank's business unit shall not have the status of a juridical person.

The self-management accord referred to in Paragraph 1 of this article shall especially set forth the following:

1) the conditions for establishing a business unit;

2) the sphere of the business unit's business operation;

3) the rights, obligations and responsibilities of the members of the basic bank with respect to the business unit;

4) the manner in which the business unit shall be managed;

5) the manner in which funds shall be disposed through account of the Social Accounting Service for performance of the special functions of the business unit;

6) the method of managing the branch office and detached field teller's windows which the bank establishes as part of the business unit;

7) rights, obligations and responsibilities of the personnel in the business unit.

The business unit may not perform tasks which pertain to realizing joint income and building up funds.

The basic bank shall conduct transactions through the business unit through the basic bank's account with the Social Accounting Service for conducting transactions through the business unit, and the balance in that account shall constitute an integral part of the basic bank's giro account.

Article 131

A basic bank may have organizational and business components such as the following: branch offices, agencies, detached field teller's windows and representative offices in Yugoslavia.

Article 132

The business unit referred to in Article 130 of this law shall also be entered in the court register. The business and organizational component of the basic bank referred to in Article 131 of this law shall be entered or recorded in the court register in conformity with law.

Article 133

The members of basic banks may adopt a decision on participation in a banking consortium for broader pooling of labor and capital and for obtaining credit in Yugoslavia and abroad to carry out development programs and plans of current activity of associated labor.

2) Management and Decisionmaking

Article 134

The basic bank as a whole shall be managed by the social juridical persons referred to in Article 3 of this law who have concluded the self-management accord on entry into association to form the basic bank.

By virtue of their conclusion of the self-management accord on entry into association to form the basic bank the social juridical persons referred to in Paragraph 1 of this article become the members of the basic bank and thereby assume the rights, obligations and responsibilities set forth in that accord.

The basic bank may not reject an application of a social juridical person to enter into the self-management accord on entry into association to form the basic bank if it meets the conditions stated in that accord.

Article 135

A member of a basic bank may renounce the self-management accord on entry into association to form the basic bank.

The conditions for renouncing the self-management accord on entry into association to form the basic bank and withdrawal of the pooled capital shall be set forth in that accord, but they may only protect the liquidity of the basic bank.

Renunciation of the accord referred to in Paragraph 1 of this article shall not relieve the basic bank's member of obligations that occurred before renunciation or of the risks arising out of the business operation of the basic bank during the time of its membership in the basic bank.

Article 136

The rights to manage the basic bank referred to in Article 134 of this law shall be equal for all members of the basic bank.

The self-management accord on entry into association to form the basic bank may restrict certain rights of management of those members who do not discharge obligations contained in the self-management accord on entry into association to form the basic bank until such time as those obligations are discharged.

The restriction of the rights of management referred to in Paragraph 2 of this article must be precisely defined in the self-management accord on entry into association to form the basic bank and must be dependent on the degree of nonperformance of obligations contained in that accord.

Article 137

Social juridical persons who have not concluded a self-management accord on entry into association to form a basic bank, but who have pooled capital for certain purposes in the basic bank on the basis of a specific self-management accord or contract, shall manage the capital pooled for the specified purpose, shall participate in the distribution of revenue, and shall bear the risk which arises out of the conduct of business with that capital.

The rights stated in Paragraph 1 of this article may also be exercised by sociopolitical communities by concluding a contract with the parties to a self-management accord in conformity with Article 11 of this law.

Article 138

The self-management accord on entry into association to form a basic bank may provide that social juridical persons who have invested capital in the basic bank not committed to a particular purpose and who have not concluded a self-management accord on entry into association to form the basic bank may have certain rights of management of the basic bank insofar as they pertain to the business use of their capital.

Article 139

The rights of individuals to participate on the basis of their savings and other deposits in management of the basic bank insofar as it pertains to its employment of those funds in its business, and in addition to the agreed interest to also acquire certain other advantages, shall be regulated by the self-management accord on entry into association to form the basic bank, in conformity with law.

Article 140

The decisionmaking procedure in the basic bank shall be defined in the self-management accord on entry into association to form the basic bank.

Article 141

The assembly shall be the governing body of the basic bank, and the executive board shall be its executive arm.

The basic bank shall have a credit committee, and it may also have other bodies to which the basic bank's assembly assigns certain executive and advisory tasks.

The self-management accord on entry into association to form the basic bank, its bylaws and the document whereby labor and capital are pooled as referred to in Article 11, Paragraph 2, of this law shall define the bodies of management and other bodies, their competency, and their rights, obligations and responsibilities.

Article 142

The assembly of the basic bank shall be made up of delegates of the basic bank's members.

Delegates in the assembly of the basic bank may not be elected for a period longer than 2 years.

The assembly of the basic bank shall convene as necessary, but at least once annually.

Article 143

Within the limits of its competence the assembly as a governing body shall ascertain that the following have been adopted:

- 1) the self-management accord on entry into association to form the basic bank;
- 2) the bylaws of the basic bank;
- 3) the self-management accord on the bases of the medium-term plan of the basic bank;
- 4) a decision offering the status of the basic bank; and
- 5) the decision on termination of the basic bank's operation.

The basic bank's assembly shall specifically decide on the following:

- 1) the medium-term plan and annual plan to carry out the medium-term plan, measures to implement them, and documents embodying the basic bank's business policy;
- 2) the upper limit of the basic bank's indebtedness in Yugoslavia and abroad;

- 3) the report on the basic bank's operation;
- 4) adoption of the basic bank's year-end statement and the decision on use and distribution of the income realized;
- 5) adjustment of the value of questionable and contested claims and the writeoff of uncollectable claims;
- 6) the program for development of the organization and business operation of the basic bank and the issuance of guidelines for carrying out that program;
- 7) election and dismissal of members of the executive board, the credit committee, and other committees and commissions of the basic bank;
- 8) adoption of the self-management accord on the mutual relations of the basic bank and the personnel of the work community in the basic bank;
- 9) adoption of other self-management accords adopted within the bank;
- 10) appointment and dismissal of the professional management of the basic bank.

Article 144

The bylaws of the basic bank shall set forth the composition, number of members and competency of the executive board of the basic bank.

The basic bank's assembly shall elect the members of the executive board and credit committee from among its own members.

Article 145

Members of the executive board and credit committee of the basic bank may not be elected for a period of time longer than 2 years.

Article 146

The executive board of the basic bank shall specifically perform the following tasks:

- 1) call meetings of the assembly and other bodies of the basic bank;
- 2) prepare proposals to be decided by the basic bank's assembly;
- 3) see to performance of the tasks of the basic bank's medium-term plan and annual plan for carrying out the medium-term plan and the execution of other decisions of the basic bank's assembly;
- 4) decide on the affairs of the basic bank between meetings of the assembly within the limits of the authority set forth in the bylaws and specific decisions of the basic bank's assembly;

- 5) see to maintaining the basic bank's liquidity and undertake and carry out measures to that end;
- 6) adopt decisions on taking and granting credit, endorsements and guarantees whose adoption has been authorized by the bylaws, in conformity with the criteria set forth by the bank's assembly;
- 7) establish committees and commissions to perform specific tasks within its competency, define their competency and appoint their members;
- 8) ascertain those claims which are contested and doubtful;
- 9) ascertain those claims which are uncollectable on the basis of appropriate documents.

The executive board is required to convene the basic bank's assembly if this is requested by a third of the bank's members.

Article 147

The basic bank may have one or more credit committees.

The bylaws or decision of the basic bank's assembly shall set forth detailed provisions on the number of credit committees and on the number of members, composition and competency of the credit committees. Those provisions or decisions shall also set forth the rights, obligations and responsibilities of credit committee members.

Article 148

The executive board may authorize the professional management of the basic bank to make decisions on the taking and granting of short-term credits for liquidity between banks, with a repayment period not to exceed 30 days.

The professional management of the basic bank is required to submit a report regularly to the basic bank's executive board on use of the authority referred to in Paragraph 1 of this article.

The possibility and scope of the decisionmaking authority under Paragraph 1 of this article shall be set forth in the bylaws of the basic bank.

Article 149

The bylaws of the basic bank may provide for the establishment of a commission for decisions on granting credits to individuals that would consist of trained personnel of a basic bank's work community appointed by the executive board.

The commission referred to in Paragraph 1 of this article shall work on the basis of powers granted in the decision to appoint it, in conformity with a general self-management act of the basic bank setting forth the purposes,

scope and terms and conditions for the granting of those credit, and also in conformity with regulations.

Article 150

The basic bank shall have a professional management officer or professional management body.

The conditions and manner of appointment and dismissal of the professional management officer or chairman and member of the professional management body shall be regulated in the self-management accord on entry into association to form the basic bank, in conformity with law.

Article 151

The professional management officer or chairman of the professional management body of the basic bank shall represent the basic bank before third parties.

The professional management of the basic bank shall execute, enforce, or see to enforcement of the decisions of the assembly, executive board and other bodies of the basic bank.

The professional management officer or chairman of the professional management body of the basic bank shall have the right and duty to participate in the proceedings of the bodies of the basic bank without a right to vote.

The professional management of the basic bank shall furnish the initiative and proposals for improvement of the basic bank's activity and for bringing about the conditions for fulfilling the basic bank's medium-term plan.

The professional management of a basic bank shall be responsible for the following: for the lawfulness of the basic bank's operation; for application of the measures of the National Bank of Yugoslavia, the national banks of the republics and the national banks of the autonomous provinces which they adopt in order to perform the tasks of monetary, credit and foreign exchange policy; for the enforcement of social compacts and self-management accords which the basic bank enters into; for application of the provisions of the self-management accord on entry into association to form the basic bank and its bylaws; for conduct of the basic bank's business in conformity with the basic bank's medium-term plan and for maintaining the basic bank's liquidity.

In conformity with the tasks contained in this article, the basic bank's professional management shall direct the work of the work community of the basic bank and shall carry out the program for its development.

The basic bank's professional management shall be accountable for its work to the executive board and to the basic bank's assembly.

Article 152

The professional management officer or chairman of the professional management body of the basic bank shall have the right and duty to stay execution of a decision of a body of the basic bank if he judges that it is contrary to the self-management accord on entry into association to form the basic bank or its bylaws, the medium-term plan of the basic bank, or other decisions of bodies of the basic bank.

The professional management officer or chairman of the professional management body of the basic bank shall inform the executive board of the basic bank of a case as referred to in Paragraph 1 of this article at its next meeting, and it shall make a decision on the matter in dispute. If within

If within the limits of its rights the basic bank's executive board is unable to make an adequate decision or if within the limits of its authority it does not adopt the view of the professional management officer or chairman of the professional management body of the basic bank, within 3 working days from the date when the meeting referred to in Paragraph 2 of this article was held, it is required to call a meeting of the basic bank's assembly.

Article 153

If the professional management officer or chairman of the professional management body of the basic bank deems that an enactment of a body of the basic bank is contrary to law and other regulations, the self-management accord on entry into association to form the basic bank, the bylaws or other general self-management acts and self-management accords into which the basic bank has entered, he shall so inform the body which adopted that enactment.

If even after the warning the body which adopted that enactment stands by its enactment, and in the proceedings referred to in Article 152, Paragraph 3, of this law the basic bank's assembly does not adopt the view of the professional management officer or chairman of the professional management body, the professional management officer or chairman of the professional management body shall stay execution of that act, pursuant to law, and shall so inform the competent body of the sociopolitical community within a period of 3 days from the date when the act was stayed.

If the professional management officer or chairman of the professional management body of the basic bank feels that an act adopted by the work community is contrary to law and other regulations, the self-management accord regulating relations between the basic bank and its work community, or other general self-management act of a bank pertaining to the work community of the bank, he shall so inform the work community. If even after the warning the work community abides by its act, the professional management officer or chairman of the professional management body shall stay execution of that act, in conformity with law, and within 3 working days from the date of staying the act he shall so inform the competent body of the sociopolitical community.

The professional management of the basic bank shall be responsible for meeting the basic bank's legally prescribed obligations.

Article 154

More detailed provisions on the rights and duties of the basic bank's professional management shall be set forth in the self-management accord on entry into association to form the basic bank and in its bylaws.

The rights and duties of the basic bank's professional management toward the basic bank's work community shall be set forth in the bylaws of the basic bank, other general self-management acts and a self-management accord concluded between the basic bank and its work community.

3) Maintaining Liquidity and Risk-Taking

Article 155

The basic bank shall conduct its business in a manner which guarantees the prompt and full discharge of its obligations and thereby maintains its liquidity.

The self-management accord on entry into association to form the basic bank, the medium-term plan and the annual plan to carry out the medium-term plan of the basic bank shall set forth the manner, measures and responsibilities for maintaining the basic bank's liquidity and the volume of necessary liquid assets.

Article 156

A basic bank which issues its endorsement on securities issued by organizations of associated labor issues guarantees for their obligations, and issues its own securities in order to maintain liquidity may create a special liquidity reserve.

The creation and amount of the special liquidity reserve in proportion to the volume of the business referred to in Paragraph 1 of this article shall be set forth in the self-management accord on entry into association to form the basic bank, the basic bank's medium-term plan and other general self-management acts or decisions of the governing body of the basic bank.

The resources in the special liquidity reserve shall be kept in the regular giro account of the basic bank unless federal law provides otherwise and may be used only to meet obligations related to the business covered by this article, unless the basic bank has other liquid assets.

Article 157

In order to maintain current liquidity in a case of short-term discrepancy in time between assets and liabilities a self-management accord of basic and associated banks may be concluded concerning their mutual short-term credit financing.

The accord referred to in Paragraph 1 of this article shall set forth the procedure, conditions and sources of funds for the credit financing referred to in that paragraph.

The transactions referred to in Paragraph 1 of this article may be conducted in the framework of an association of banking organizations through its special account with the Social Accounting Service, and also within the framework of associated banks.

The association of banking organizations and associated banks, in the conduct of the transactions referred to in Paragraph 1 of this article, may engage in trade in securities issued under the provisions of the federal law regulating security of payment between users of social assets and trade in other securities.

The self-management accord referred to in Paragraph 1 of this article shall set forth the rights, obligations and mutual responsibilities of all participants within the framework of the association of banking organizations and basic and associated banks.

Administrative-technical tasks, auxiliary tasks, and similar tasks shall be performed by the personnel in the work community of the association of banking organizations referred to in Paragraph 1 of this article or by personnel in the work community of the associated bank.

Article 158

The basic bank's obligations shall be charged to the balance in its giro account.

If the balance in the basic bank's giro account is insufficient to meet the obligations, the balance in its reserve fund shall first be used and then the resources of its legal reserve with the National Bank of Yugoslavia.

Resources used from the reserve fund and the legal reserve shall be restored in the manner and under the conditions set forth in federal law or regulations enacted on the basis of it.

Article 159

If a basic bank uses resources of the reserve fund as referred to in Article 158, Paragraph 2, of this law, continuously for a period longer than 15 days, the executive board of the basic bank is required to examine the state of liquidity and take the measures envisaged by the general self-management acts of the basic bank in order to furnish funds in the giro account of the basic bank for regular discharge of obligations.

The executive board of the basic bank is required to adopt a decision on the taking of measures referred to in Paragraph 1 of this article within 5 working days from the date of expiration of the period referred to in Paragraph 1 of this article and to so inform the national bank of the republic or national bank of the autonomous province.

Article 160

If a basic bank uses the resources of the legal reserve under Article 158, Paragraph 2, of this law, the national bank of the republic or national bank of the autonomous province may take toward that basic bank the measures it is authorized to take by law.

Article 161

A basic bank shall be considered illiquid for the purpose of this law if the measures taken by the basic bank's executive board pursuant to Article 159 of this law and the measures taken by the national bank of the republic or national bank of the autonomous province pursuant to Article 160 of this law have not furnished funds for regular discharge of the basic bank's obligations and restoration of the resources used from the reserve fund and the legal reserve, pursuant to Article 158, Paragraph 3, of this law.

A basic bank shall also be considered illiquid if in spite of the measures referred to in Paragraph 1 of this article, it uses the resources of the legal reserve in the National Bank of Yugoslavia to meet its regular obligations continuously for a period of 10 working days or intermittently for a period of 20 working days within 1 month or if it does not transfer the inflow of foreign exchange to which other banks are entitled within the prescribed period of time.

A basic bank shall also be considered illiquid for the purpose of this law if it has obligations abroad which have come due and have not been met or if it has not transferred foreign exchange to the National Bank of Yugoslavia within the prescribed period, pursuant to federal laws and other federal regulations.

The National Bank of Yugoslavia shall set forth more detailed conditions as to when it deems that a basic bank is illiquid.

The chairman of the basic bank's executive board is required within a further period of 5 working days from the date of expiration of the time referred to in Paragraph 2 of this article to call a meeting of the board in which it shall find that the bank is illiquid.

Article 162

If a basic bank is illiquid under Article 161 of this law, within a period of the next 5 working days from the date of holding the meeting at which the bank was found to be illiquid the basic bank's executive board shall call a meeting of the basic bank's assembly, which must be held within the period of the next 20 working days.

Article 163

The basic bank's assembly shall establish the causes of illiquidity and define the manner, measures and period of time for removal of those causes and

establishment of the basic bank's liquidity. That period of time may not be longer than 30 days from the date when the meeting of the basic bank's assembly was held.

If within the period referred to in Paragraph 1 of this article conditions are not brought about for the basic bank's liquidity, the assembly of the basic bank shall within a period of 30 days adopt an emergency financial rescue program. The program for financial rescue of the basic bank must be adopted within a period of 30 days from the date of expiration of the period referred to in Paragraph 1 of this article.

The basic bank is required to immediately report the decisions made and measures taken as referred to in Paragraphs 1 and 2 of this article to the national bank of the republic or national bank of the autonomous province, the competent agency in the republic or autonomous province, and the assembly of the opstina in which the basic bank is headquartered.

Article 164

After receiving the report referred to in Article 163, Paragraph 3, of this law, the competent agency in the republic or autonomous province, after first obtaining the opinion of the national bank of the republic or national bank of the autonomous province, is required to examine the measures taken and decisions made by the bodies of the basic bank.

If the competent agency in the republic or autonomous province deems that the decisions made and measures taken by the basic bank are not sufficient for its financial rescue, it may propose to the assembly of the republic or assembly of the autonomous province that it adopt these supplemental measures:

- 1) that it require the members of the basic bank to make a supplemental payment of resources into the joint and several liability fund and reserve fund of the basic bank;
- 2) that it require the basic bank to first discharge its obligations to persons who are not its members;
- 3) that it call an interopstina meeting of representatives of opstinas in which the basic bank predominantly conducts its business and that it propose to those opstinas that they adopt a decision to participate in the financial rescue of the basic bank with the resources which they possess;
- 4) that it require the republic or autonomous province to participate in the financial rescue of the basic bank with the resources which it possesses.

If pursuant to Subparagraphs 3 and 4 of Paragraph 2 of this article the sociopolitical community participates in the financial rescue of the basic bank, the competent agency in the republic or autonomous province may adopt a decision to appoint an authorized person in the basic bank on the nomination of the national bank of the republic or national bank of the autonomous province, but from among the professional personnel of the national bank, who

shall act as monitor of enforcement of all the measures for the financial rescue of the basic bank.

The person authorized by the republic or autonomous province under Paragraph 3 of this article shall have the right and duty to stay execution of any decision of a body of the basic bank which is not in conformity with the measures for the basic bank's financial rescue and within 10 days of the date of the decision's stay shall so inform the assembly of the republic or assembly of the autonomous province for adoption of a final decision.

The competent agency in the republic or autonomous province shall adopt a decision terminating the commission of the authorized person referred to in Paragraph 3 of this article on the proposal of the national bank of the republic or national bank of the autonomous province and on the basis of its report concerning the results of the measures taken for the financial rescue of the basic bank.

Article 165

If the basic bank's assembly judges that the financial rescue program and supplemental measures of the republic or autonomous province and the opstina cannot rescue the basic bank, in agreement with the competent agency in the republic or autonomous province, it shall adopt a decision to terminate the operation of the basic bank and shall so inform the national bank of the republic or national bank of the autonomous province and the Social Accounting Service.

Article 166

If the competent agency in the republic or autonomous province grants consent that the basic bank terminate its operation pursuant to the provisions of Article 165 of this law, the basic bank is required from the assets which it possesses and from the assets of its members under Article 167 of this law to meet obligations to all creditors of the basic bank who are not members of that basic bank.

Article 167

The basic bank shall be liable for its obligations with all the assets which it possesses.

If the assets referred to in Paragraph 1 of this article are not sufficient to meet its obligations, the members shall be liable for the obligations of the basic bank with other assets as well, in proportion to the total assets which they possess, in the following order of priority:

- 1) the resources of the reserve fund;
- 2) the money portion of the resources of the business fund;
- 3) all other assets which they possess.

The provisions on the liability of the basic bank's members for the obligations of the basic bank shall be set forth in the self-management accord on entry into association to form the basic bank.

Article 168

The basic bank shall charge the writeoff of uncollectable claims related to credits granted to the income it realizes in conduct of its business.

If uncollectable claims cannot be written off from the basic bank's income, the writeoff shall be charged to the resources of the basic bank's joint and several liability fund.

If the resources of the joint and several liability fund cannot cover the writeoff of the uncollectable claims, the basic bank's assembly shall decide on the manner of the writeoff and on the sources of funds from which that writeoff shall be made.

Funds used from the mandatory portion of the joint and several liability fund of the basic bank for writeoff of uncollectable claims must be restored to that fund within a period which may not be longer than 5 years, it being further provided that at least one-fifth of the funds used must be restored each year.

Article 169

If a basic bank terminates its operation, the claims of individuals on the basis of savings deposits, current accounts and deposits in personal foreign exchange accounts shall be met before the claims of other creditors of the basic bank are met.

4) Planning and Business Policy

Article 170

The self-management accord on the bases of the plan and the plan of the basic bank shall set forth the relations, rights and obligations of basic and other organizations of associated labor, self-managing communities of interest and other social juridical persons which are members of the bank as entities pursuing common interests in pooling labor and capital from income and the circulation and concentration of capital on behalf of joint realization of income and jointly securing money funds to perform, expand and improve the activities of basic and other organizations of associated labor and other self-management organizations and communities, as well as other common interests insofar as they are pursued through the basic bank.

The basic bank's plans shall be adjusted to the plans of sociopolitical communities.

Basic banks are required to bring the use of available assets attracted through savings deposits to the plans of sociopolitical communities in whose jurisdiction those funds were attracted.

Article 171

The basic bank shall adopt a medium-term plan and an annual plan to carry out the medium-term plan.

The basic bank's medium-term plan shall be adopted on the basis of an agreement on the bases of the basic bank's medium-term plan which the members of the basic bank shall conclude with one another.

The annual plan to carry out the medium-term plan shall be adopted in the manner set forth in the self-management accord on entry into association to form the basic bank and in the bank's bylaws.

Article 172

The self-management accord on the bases of the medium-term plan of the basic bank shall set forth the relations, rights and obligation of the bank's members specifically contained in the following:

- 1) joint goals and lines of development of associated labor;
- 2) the basic bank's tasks in realizing the joint goals and lines of development of associated labor and possibilities for pooling, attracting and obtaining capital to perform those tasks;
- 3) the basic directions for commitment of the capital pooled, attracted and obtained and procedure and measures for adjusting the needs of associated labor to the possibilities for pooling, attracting and obtaining capital;
- 4) bases and scales for commitment of funds and the granting of endorsements and guaranties;
- 5) procedure and measures for maintaining the basic bank's liquidity;
- 6) the policy for pooling capital in the funds of the bank;
- 7) the basic purposes and general conditions for pooling investment capital within or through the bank and the basic scale for distribution of joint income realized from the pooling of that capital and the way in which the risks shall be borne.

The self-management accord on the bases of the basic bank's medium-term plan shall be adopted according to the procedure envisaged in Article 123, Paragraphs 3 and 4, of this law.

Article 173

The medium-term plan of the basic bank, predicated on the joint goals of the basic bank's members to increase their own income and that of the society as a whole and to raise labor productivity, shall specifically state the following:

- 1) the basic directions and economic indicators of development plans and programs of current activity of associated labor;
- 2) the volume of pooling and commitment of earmarked resources;
- 3) the volume of money funds to be attracted and obtained;
- 4) mandatory commitment of capital and discharge of obligations assumed previously;
- 5) the commitment of available resources to carrying out development plans and programs of current activity of associated labor;
- 6) procedure and measures for maintaining the basic bank's liquidity;
- 7) the manner of formation and use of the capital pooled in the funds of the bank and the formation and distribution of income realized jointly, and measures and procedures for bearing risks related to the basic bank's business.

The accompanying documents which constitute an integral part of the basic bank's medium-term plan are as follows:

- 1) the development plan of the basic bank and of its work community;
- 2) the plan of the basic bank's credit balance;
- 3) the policy of interest rates and the schedule of fees for services performed by the basic bank;
- 4) the plan of the basic bank's revenues and expenditures;
- 5) the financial plan of the basic bank pursuant to Article 13 of this law.

Article 174

The annual plan for carrying out the basic bank's medium-term plan shall specifically contain an analysis of the medium-term plan for the current period according to the elements of the medium-term plan and measures and actions for carrying out tasks contained in the medium-term plan, and that the portion for the coming year, so as to ensure fulfillment of the current medium-term plan, in accordance with the conditions and possibilities for socioeconomic development and economic policy measures.

The documents embodying the basic bank's business policy shall constitute an integral part of the annual plan to carry out the basic bank's medium-term plan, as follows:

- 1) more detailed conditions for attracting and committing the resources of individuals;
- 2) the plan of the basic bank's credit balance;

- 3) the plan of the basic bank's revenues and expenditure;
- 4) the financial plan of the basic bank pursuant to Article 13 of this law.

Article 175

In order to broaden opportunities for fulfillment of its plans the basic bank shall:

- 1) conclude self-management accords with other banking organizations on joint measures to fulfill plans and to carry out measures of economic, credit, monetary and foreign exchange policy;
- 2) enter into consortiums with other banking organizations, organizations of associated labor and other social juridical persons in order to fulfill individual development plans and programs of current activity of its members or other social juridical persons.

Article 176

The basic bank is required to publish the plans and documents embodying its business policy and to make them accessible to every member of the basic bank.

Provisions on the manner of publication of plans and documents embodying business policy shall be set forth in the bylaws of the basic bank.

Article 177

The basic bank is required to inform its members regularly on progress in fulfillment of plans and documents embodying business policy.

The dates, content and manner of reporting shall be set forth in the bylaws of the basic bank.

Article 178

Provisions on procedure for adoption of the medium-term plan and annual plan for carrying out the medium-term plan shall be set forth in the self-management accord on entry into association and in the bylaws of the basic bank, in conformity with law.

5) Self-Management Workers' Control

Article 179

In order to exercise and protect their self-management rights with respect to management of affairs and resources in the totality of relations in social reproduction, the workers in organizations of associated labor and the working people in self-managing communities of interest and other social juridical persons which are members of the basic bank shall exercise self-management workers' control through the bodies for governing the basic bank and through a specific self-management workers' control body of the basic bank.

Article 180

The self-management workers' control body shall specifically monitor the following:

- 1) enforcement of the self-management accord on entry into association to form the basic bank;
- 2) enforcement of the basic bank's bylaws;
- 3) fulfillment of plans and enforcement of documents embodying the basic bank's business policy;
- 4) enforcement of decisions of the bodies of the basic bank;
- 5) socially responsible and economically purposeful borrowing and use of funds and disposition of those funds;
- 6) enforcement of the requirement to inform the members of the basic bank on matters which have a bearing on the making of decisions and oversight of the operation of the basic bank.

Article 181

The makeup, manner of election and recall, and rights, duties and responsibilities of the members of the body for self-management workers' control in the basic bank shall be set forth in the self-management accord on entry into association to form the basic bank or in general self-management acts of the basic bank, in conformity with law.

A member of the body for self-management workers' control may not at the same time be a delegate in the bank's assembly, a member of the executive board, or a member of other bodies of the basic bank to which the assembly assigns executive and advisory tasks, or of the professional management.

Article 182

The professional management of the basic bank is required to make the necessary documentation available to the body for self-management workers' control and to facilitate its examination of the operation of the basic bank, that is, to guarantee that it can exercise oversight.

Article 183

The body for self-management workers' control in the basic bank shall have the right and duty to report things it has detected in its opinion to the bodies of the basic bank in which it has detected those things, but also the bodies of the basic bank which have the right and duty to correct those things.

The bodies of the basic bank shall examine the report and opinion of the body for self-management workers' control and shall inform the members of the basic bank on the measures taken.

If the bodies of the basic bank do not correct the things detected in good time, the body for self-management workers' control shall so inform the competent body for social surveillance or the competent agency for surveillance over the lawfulness of operation of the basic bank.

6) Determination and Distribution of Revenues and Joint Income

Article 184

The revenues of the basic bank shall be formed from the following:

- 1) participation in income based on income jointly earned in Yugoslavia or in revenues from joint investments abroad;
- 2) interest on credits granted;
- 3) charges for performance of banking services;
- 4) other revenues which the basic bank realizes through conduct of its business, in conformity with its bylaws and regulations.

Article 185

The joint income which the basic bank realizes shall be distributed according to the scales and criteria envisaged by the self-management accord on entry into association to form the basic bank or specific self-management accord, in conformity with Article 7 of this law.

Article 186

The business operating costs of the basic bank referred to in Article 7 of this law shall include interest on credits received and other resources, fees for banking services, writeoffs of uncollectable claims, depreciation, costs of office space and equipment, and other operating expenses in accordance with the self-management accord on entry into association to form the basic bank.

Article 187

The personnel in the basic bank's work community shall realize income from the revenues which the basic bank realizes through conduct of its business depending on contribution to the business operation of the basic bank and to satisfying the needs and interests of the basic bank's members.

The personnel of the basic bank's work community shall obtain funds for personal incomes and social service expenditure in conformity with the bases and scales set forth in the self-management accord concluded between the basic

bank and its work community, and in conformity with social compacts on distribution of funds for personal incomes and for social service expenditure of workers in associated labor and personnel in work communities of the members of the basic bank.

The self-management accord referred to in Paragraph 2 of this article shall guarantee that the funds for the work community are dependent upon the scope and quality and level of responsibility of the work done by the work community.

Article 188

If claims become uncollectable through the fault of the work community, the basic bank's assembly may decide that the writeoff of the uncollectable claims be partially or altogether charged to the resources possessed by the work community.

7) Funds

Article 189

In order to build up resources to guarantee reliability and liquidity in business operation and to provide for plant and equipment the basic bank shall have the following funds:

- 1) the joint and several liability fund;
- 2) the reserve fund;
- 3) the fixed capital fund.

The resources of the funds referred to in Paragraph 1 of this article shall be built up from the pooled resources of income of members of the basic bank on the basis of the self-management accord on entry into association to form the basic bank, its bylaws, and law.

The resources of the basic bank's funds shall be kept in the name of the members of the basic bank.

The resources of the basic bank's funds shall be used in conformity with the self-management accord on entry into association to form the basic bank and its bylaws, and on the basis of law.

The basic bank may also establish other funds on the basis of the self-management accord on entry into association to form the basic bank and its bylaws or on the basis of other self-management accords and decisions of the basic bank's members.

Article 190

The resources in the joint and several liability fund shall be used for writing off uncollectable claims and for covering other risks arising out of the basic bank's business operation.

The resources of the joint and several liability fund may also be used temporarily for investment in purposes designated by the basic bank's members who have pooled their capital in that fund.

Article 191

The level of the resources in the joint and several liability fund shall amount to at least 3 percent of lendings outstanding in connection with which the basic bank bears a risk in the year-end statement for the past year.

The procedure for pooling and the date for payment of capital into the joint and several liability fund shall be set forth in the self-management accord on entry into association to form the basic bank, but the period for payment may not be longer than 5 years, and the amount to be pooled shall be at least 0.6 percent annually.

Article 192

The resources of the reserve fund shall be used for maintaining the basic bank's current liquidity in accordance with law and other regulations.

The resources of the reserve fund shall be kept separately in a special account in the national bank of the republic or national bank of the autonomous province.

Article 193

The capital of the basic bank's members shall be pooled in the reserve fund in such manner that the sum total of capital pooled in that fund may not be less than 0.3 percent of lendings outstanding in connection with which the basic bank bears a risk according to the year-end statement for each year for which the capital is being set aside into that fund.

When the total resources of the reserve fund reach the amount of at least 3 percent of the amount of the base defined in Paragraph 1 of this article, the obligation to pool capital in that fund shall terminate.

Article 194

In renouncing the self-management accord on entry into association to form the basic bank the basic bank the basic bank's members may transfer their contribution to the joint and several liability fund and contribution to the reserve fund to other members of that basic bank or may withdraw them from those funds.

The self-management accord on entry into association to form the basic bank and its bylaws shall state the conditions, periods of time and manner of transfer and withdrawal of contributions from the joint and several liability fund and from the reserve fund.

The conditions, dates and manner of withdrawal of the contributions referred to in Paragraph 2 of this article may only guarantee the reliability of business operation and liquidity of the basic bank.

Article 195

The resources of the fund of fixed capital of the basic bank shall consist of the business premises, furniture, machines and other equipment used in performing its business activity.

The bank shall use the money portion of the fund of fixed capital for its business operation or it may pool it in the associated bank's fund of fixed capital.

Article 196

A member of the basic bank shall not have the right to withdraw capital pooled in the fund of fixed capital. Exceptionally, at the request of a member, the basic bank's assembly may adopt a decision restoring in the money amount the capital pooled in the fund of fixed capital to a member of the basic bank which is liquidating its business operation after obligations which it has to the basic bank have been met.

8) The Work Community

Article 197

Personnel performing its administrative and technical, auxiliary and other similar tasks of the basic bank may establish one or more work communities on the basis of a self-management accord.

The personnel in the work community of the basic bank shall be responsible for prompt and effective performance of the tasks which the work community performs in the basic bank.

Relations between the basic bank and its work community shall be regulated in a self-management accord on mutual rights, obligations and responsibilities as a function of the contribution of the work community to achievement of the business results of the basic bank according to the year-end statement of the basic bank.

Article 198

The provisions of Articles 119 through 122 of this law shall also pertain to the basic bank's work community.

4. Associated Banks

Article 199

Members of a basic bank may decide on the basis bank's entry into association with other basic banks to form an associated bank.

The members of the associated bank are those basic banks which on the basis of a decision of their members have concluded a self-management accord on entry into association to form the associated bank and have thereby assumed the rights, obligations and responsibilities set forth in that accord.

Article 200

An associated bank may conduct the banking business set forth in the self-management accord on entry into association to form the associated bank or in a specific self-management accord of the basic banks which are the members of the associated bank, but specifically business pertaining to the following:

- 1) the pooling of labor and capital for specified purposes;
- 2) the taking of credit in Yugoslavia and abroad;
- 3) the granting of credit;
- 4) the granting of guaranties and endorsements on securities;
- 5) issuance of and trade in securities;
- 6) foreign exchange transactions;
- 7) transactions involved in international payments;
- 8) organizing the attraction of savings and other deposits from natural persons abroad in the name and on the account of its members.

Article 201

The self-management accord on entry into association to form the associated bank shall specifically contain the following:

- 1) the aims of association to form the associated bank;
- 2) the business of common interest performed by the associated bank;
- 3) the manner and purposes of pooling capital in the associated bank;
- 4) the name and location of the associated bank;
- 5) mutual rights and obligations of the basic banks which are the members of the associated bank, and especially rights and obligations in maintaining the associated bank's liquidity;

6) the manner of bearing the risks involved in the business operation of the associated bank;

7) the manner in which the revenues of the associated bank shall be formed, especially when the associated bank cannot in conducting business of common interest realize the revenues necessary to cover its expenditures and other needs;

8) the type of funds and the manner of pooling resources for formation of funds.

The self-management accord on entry into association to form the associated bank shall also contain other provisions envisaged by this law for the self-management accord on entry into association to form a basic bank.

Article 202

The associated bank shall be a juridical person with the rights, obligations and responsibilities which it has on the basis of constitutions, law and the self-management accord on entry into association to form the associated bank.

Entry in the court register shall be done at the request of the authorized person, who shall submit the following:

1) application for entry in the court register;

2) the self-management accord concluded on entry into association to form the associated bank;

3) statement of the competent agency in the republic or autonomous province in which the associated bank is headquartered issued on the basis of the opinion of the national bank of the republic or national bank of the autonomous province certifying that the self-management accord on entry into association to form the associated bank has set forth the appropriate procedure and measures whose application guarantees maintaining the liquidity of the associated bank;

4) other documents required by regulations on entry in the court register.

Article 203

The associated bank may have its representative offices in Yugoslavia and abroad.

Article 204

The associated bank shall be managed by the basic banks which are its members through delegates elected by their members.

Article 205

The self-management accord on entry into association to form the associated bank shall set forth the mutual unlimited secondary liability of the members for the obligations of the associated bank and the manner in which mutual obligations and claims shall be met on the basis of operation of unlimited secondary liability.

Article 206

The associated bank shall have a joint and several liability fund, a reserve fund and a fund of fixed capital in order to furnish resources to conduct the business described in Article 200 of this law and to discharge obligations established by law.

The resources of the funds referred to in Paragraph 1 of this article shall be built up from the respective funds of the basic banks in the amount, under the conditions and in the manner envisaged by the self-management accord on entry into association to form the associated bank and in conformity with this law.

The resources of the funds of the basic banks pooled in the funds of the associated banks may in conformity with the self-management accord referred to in Paragraph 2 of this article be kept in the funds of the basic banks until their use by the associated bank.

Article 207

An associated bank which conducts transactions involved in international payments shall hold a portion of its reserve fund in foreign means of payment.

The portion of the reserve fund in foreign means of payment shall be established by the executive board of the associated bank as a function of the volume of the associated bank's foreign business.

Article 208

In order to maintain current liquidity basic banks and associated banks may in addition to other funds also pool a portion of the resources of their reserve funds and resources of the special liquidity reserve.

Article 209

The provisions of this law which pertain to management and decisionmaking, maintaining liquidity and bearing risks, planning and business policy, self-management workers' control, the formation and distribution of revenues, funds, and the work community of the basic bank, shall also be appropriately applied to the associated bank, unless this law or other regulations provide otherwise.

II. Banking Consortiums

Article 210

In order to fulfill development plans and programs of current activity of associated labor, the members of two or more banks and specialized financial organizations may establish a banking consortium for the purpose of broader pooling of labor and capital and to secure credits in Yugoslavia and abroad.

The members of the associated banks and specialized financial organizations, aside from self-managing funds of associated labor, may establish a banking consortium together with foreign banks and other financial organizations, in conformity with federal law.

Article 211

A consortium of banks shall be established by a self-management accord or contract when foreign persons are participating, which shall specifically state the following:

- 1) the goals of establishing the consortium;
- 2) the banks and specialized financial organizations taking part in the consortium (members of the consortium);
- 3) the bank or specialized financial organization which is organizing the consortium on behalf of the members and directing its operation;
- 4) the bodies for managing the affairs of the consortium;
- 5) the mutual rights and obligations of the consortium's members;
- 6) the time for which the consortium is being established and the procedure for its termination;
- 7) the procedure for bearing the general and specific risk of the members of the consortium arising out of the consortium's business.

A consortium may be permanent if the common interests involved are permanent in nature or ad hoc if only the performance of a particular piece of business is involved.

III. Self-Managing Funds of Associated Labor

Article 212

Self-managing funds of associated labor shall be established in conformity with law in order to pool capital to satisfy the common interests and needs of associated labor for particular purposes. The pooling and use of the resources of the funds may be in the form of credit or on a nonrepayable basis.

Self-managing funds may be established within certain economic branches and groupings, production-and-distribution complexes and the entire economy, as well as on a regional basis.

If the decision establishing a self-managing fund of associated labor specifies that it conduct business as a bank or perform certain banking functions, the provisions of this law which pertain to banks or banking operation shall apply to that fund or those banking functions.

IV. Savings-and-Credit Organizations

Article 213

Savings-and-credit organizations may be established for the purpose of attracting savings deposits and other resources of individuals, for granting credit to individuals, for handling payment and settlement and other banking business on behalf of individuals.

Savings-and-credit organizations are as follows: savings banks, the Postal Savings Bank, savings-and-credit cooperatives, savings-and-credit services in agricultural, craft and other cooperatives, and other organizations which engage in savings-and-credit business.

1. Savings Banks

Article 214

Savings bank are engaged in the business of attracting resources from individuals in the form of savings deposits, deposits in current and giro accounts, the sale of securities, and other banking business with individuals.

The savings bank uses the resources attracted to extend credit to individuals to improve the activities they are engaged in on the basis of self-employment, to purchase and build housing, to obtain consumer goods and for other needs of individuals.

The savings bank may use available assets in conformity with the self-management accord on establishment and the documents embodying business policy to grant credit, directly or through basic banks, to meet the needs of financing programs covered by social plans of local and sociopolitical communities on the basis of the common interests of organizations of associated labor and the interests of the owners of the savings deposits in the area in which the savings bank operates.

The savings bank may engage in attracting earmarked funds from individuals for the credit financing or funding of certain programs in the name and on the account of participants in the pooling of labor and capital and other financial transactions assigned it by its governing bodies, but in conformity with this law and other regulations.

Article 215

On the basis of self-management decisions of workers and working people who live and work in a particular area, but within their self-management rights, a savings bank may be established by basic and other organizations of associated labor, local communities, self-management communities of interest and other social juridical persons.

Article 216

If the republics or autonomous provinces do not enact regulations on the establishment, management, organization and business operation of savings banks, the provisions of this law pertaining to basic banks shall be appropriately applied to savings banks as well.

2. The Postal Savings Bank

Article 217

The Postal Savings Bank is a unified savings bank organization for the entire territory of the Socialist Federal Republic of Yugoslavia performing tasks of particular public interest.

The Postal Savings Bank may:

- 1) attract the dinar and foreign exchange savings deposits of individuals and civil juridical persons in conformity with federal law;
- 2) administer current accounts of individuals and conduct payment and settlement in the Socialist Federal Republic of Yugoslavia in conformity with federal law;
- 3) administer foreign exchange accounts of individuals and civil juridical persons in conformity with federal law;
- 4) process and monitor incoming and outgoing postal and telegraph money orders in domestic money traffic;
- 5) maintain an international money order, postal check, postal savings and purchasing service, in conformity with the normative acts of the World Postal Union;
- 6) purchase bank and travelers' checks and checks issued by the National Bank of Yugoslavia in conformity with federal law;
- 7) purchase effective foreign currencies in conformity with federal law;
- 8) redeem securities (documents) in other countries in conformity with the enactment of the World Postal Union on redemption of securities;

9) perform other transactions in the name and on the account of organizations of associated labor in PTT [postal, telegraph and telephone] service and other social juridical persons on the basis of authority obtained from them;

10) conduct transactions involved in foreign payments in accordance with authorities granted under the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries.

Article 218

The Postal Savings Bank shall be established by a self-management accord and its affairs managed by the organizations of associated labor in PTT service in accordance with the provisions of this law, republic and provincial laws, and social compacts on the use of the resources of savings deposits and other resources attracted from individuals.

The right of the individual to participate on the basis of savings deposits in managing the business operation of the Postal Savings Bank shall be regulated by the self-management accord referred to in Paragraph 1 of this article, in conformity with law.

Article 219

The Postal Savings Bank is not required to establish a joint and several liability fund.

Article 220

The Postal Savings Bank shall keep records on the resources referred to in Article 217, Paragraph 2, Subparagraphs 1 through 3, of this law by the territories of the republics and the territories of the autonomous provinces in which those resources were attracted.

After deduction of the prescribed liquidity reserves, the resources referred to in Paragraph 1 of this article shall be used on the basis of a social compact concluded by representatives of organizations of associated labor in PTT service, representatives of the Yugoslav People's Army and representatives of the republics and autonomous provinces.

Uncommitted resources of savings deposits and other resources of individuals shall be used by the Postal Savings Bank to grant credit for purposes set forth in the social compact referred to in Paragraph 2 of this article through basic and associated banks and the National Bank of Yugoslavia, covered by their guaranty.

The social compact referred to in Paragraph 2 of this article shall be concluded for the period covered by the medium-term social plan.

Article 221

The organizations of associated labor in PTT service shall conduct the business referred to in Article 217 of this law in the name and on the account of the Postal Savings Bank through their postal units, under conditions set forth by agreement between those organizations of associated labor and the Postal Savings Bank.

3. Other Savings-and-Credit Organizations

Article 222

Other savings-and-credit organizations specifically include the following:

- 1) savings-and-credit cooperatives;
- 2) savings-and-credit services in agriculture, craft and other cooperatives.

Savings-and-credit organizations as referred to in Paragraph 1 of this article shall attract savings deposits and issue credits to their members.

Article 223

The establishment, management and business operation of the savings-and-credit organizations referred to in Article 222 of this law shall be regulated by law.

Part Four. Associations of Banking Organizations

Article 224

Associations of banking organizations may be established to pursue the common interests of members of banking organizations and to promote the operation and business of those organizations.

An association of banking organizations shall be established by a self-management accord setting forth the subject matter and mode of its operation, the way in which it shall be managed, the mutual relations of the members, and other matters significant to operation of the association.

The organs of the association shall be so constituted as to guarantee direct participation of the members of banking organizations in decisionmaking on matters which are in their common interest and participation of representatives of the work communities of banking organizations in decisionmaking on matters in their common interest.

Article 225

Banking organizations may establish an association of banking organizations for the territory of the Socialist Federal Republic of Yugoslavia, an association of banking organizations for a particular area, or an association of banking organizations on the basis of the subject of their business.

Article 226

An association of banking organizations shall specifically perform the following functions:

- 1) work to promote the business of pooling labor and capital and the borrowing and attraction of other funds in banking organizations;
- 2) propose conclusion of self-management accords and social compacts among banking organizations and between banking organizations and organizations of associated labor, self-managing communities of interest and other social juridical persons to regulate the performance of joint tasks arising out of economic, monetary and foreign exchange policy and the joint bases of credit policy and other tasks which arise out of the basis of the unified Yugoslav market;
- 3) organize agreements of banking organizations on joint conditions of representation on the foreign financial market;
- 4) work to reconcile opinions and proposals of members of banking organizations related to the affairs of the economic system and economic policy measures and to other affairs of common interest and to represent those opinions and proposals before the agencies of sociopolitical communities, the National Bank of Yugoslavia, the national banks of the republics and the national banks of the autonomous provinces, economic chambers and other bodies, agencies and organizations;
- 5) perform tasks assigned it by banking organizations in a specific self-management accord;
- 6) study and propose measures to promote the organization and operating technology in banking organizations;
- 7) work on organizing the security market.

Part Five. Punitive Provisions

Article 227

A banking organization shall be subject to a fine of not less than 5,000 and not more than 1 million dinars for an economic offense:

- 1) if it does not commit capital pooled for a specified purpose in accordance with the self-management accord or compact (Article 15, Paragraph 1, Subparagraph 5);
- 2) if it takes credit in its own name and on its own account in Yugoslavia which has not been provided for in the provision of Article 36, Paragraph 2, of this law;

- 3) if an internal bank does not transfer the necessary funds from its giro account to the giro account of the member of the internal bank to meet its obligations which have come due (Article 48, Paragraphs 2 and 3);
- 4) if an internal bank does not make an accounting of the mutual obligations among all its members in the prescribed manner in conformity with this law (Article 56);
- 5) if an internal bank does not submit to the Social Accounting Service an accounting and data necessary for the keeping of public records (Article 57, Paragraph 4);
- 6) if a self-management accord for investment projects does not state the bearing of risks to cover losses (Article 13, Paragraph 4);
- 7) if in extending credit it does not ascertain the creditworthiness of the loan applicant and if it does not obtain guaranties necessary for regular repayment of the credit (Article 37, Paragraph 2);
- 8) if it does not renounce a contract on a credit granted for a particular purpose before expiration of the life of the contract or does not take measures to collect such credit when in the exercise of oversight it finds that the credit has been used otherwise than for the specified purpose (Article 41);
- 9) if it accepts deposits outside the activities of the internal bank's members or grants credits to other juridical persons or individuals (Article 57, Paragraph 6);
- 10) if it exceeds the authority granted it by a member of the internal bank, or if as the authorized representative of a member of the internal bank it fails to take an action which it was required to take in that capacity (Articles 62 and 64);
- 11) if it rejects the application of a social juridical person to enter into the self-management accord on entry into association to form a basic bank when that person satisfies the conditions defined in that accord (Article 134, Paragraph 3);
- 12) if it exceeds the authority concerning the taking or granting of short-term credits for liquidity envisaged in Article 148 of this law;
- 13) if it does not immediately inform the national bank of the republic or the national bank of the autonomous province, the competent agency in the republic or autonomous province, and the assembly of the opstina in which it is headquartered of a decision made or measure taken to remove the causes of illiquidity or to maintain liquidity (Article 163, Paragraph 3);
- 14) if it does not act in accordance with a decision of the assembly of the republic or the assembly of the autonomous province to first meet its obligation to a person who is not its member (Article 164, Paragraph 2, Subparagraph 2);

15) if it does not transfer to a separate account the resources of special credit funds for housing and municipal service construction (Article 235, Paragraph 2);

16) if it does not distribute the resources of the credit fund for housing and municipal service construction to the social juridical persons who have pooled capital in that fund (Article 237).

The person responsible in the banking organization shall also be subject to a fine of not less than 2,000 and not more than 30,000 dinars for the economic offense referred to in Paragraph 1 of this article.

The person responsible in the banking organization convicted of the economic offense referred to in Paragraph 1, Subparagraph 1, of this article and fined at least 10,000 dinars may not hold supervisory positions in a banking organization for a period of 2 years from the date when the verdict became final.

Article 228

The person responsible in the Social Accounting Service shall be subject to a fine of not less than 2,000 and not more than 30,000 dinars for an economic offense:

- 1) if he does not act in accordance with the relevant provision of a contract on deposit in a basic bank (Article 21, Paragraph 6);
- 2) if he accepts and executes a contract on a sight deposit credited to an internal bank (Article 57, Paragraph 6).

Article 229

A basic or other organization of associated labor or other juridical person shall be subject to a fine of not less than 2,000 and not more than 100,000 dinars for a misdemeanor:

- 1) if it accepts a savings deposit from an individual not earmarked for a special purpose (Article 22, Paragraph 4);
- 2) if it does not accept a check from an individual when payment of that check has been guaranteed by a basic bank, savings bank or the Postal Savings Bank on which the check was issued (Article 29, Paragraph 2).

The person responsible in the basic or other organization of associated labor or other juridical person shall also be subject to a fine of not less than 1,000 and not more than 20,000 dinars for the act described in Paragraph 1 of this article, which constitutes a misdemeanor.

The person responsible in the body of a sociopolitical community, other government body or local community shall also be subject to conviction for a misdemeanor and a fine of not less than 5,000 and not more than 20,000 dinars for the action described in Paragraph 1, Subparagraph 2, of this article.

Article 230

A banking organization shall be subject to a fine of not less than 1,000 and not more than 50,000 dinars for a misdemeanor:

- 1) if it uses pooled capital contrary to the financial plan insofar as it pertains to the pooling and use of that capital (Article 15, Paragraph 1, Subparagraph 5);
- 2) if it does not abide by the conditions contained in the document on depositing money funds (Article 16, Paragraph 2);
- 3) if it does not include in a contract on the deposit of funds not specified for a purpose a provision on the conditions under which the purpose may be subsequently specified (Article 18);
- 4) if it does not include in a contract concluded on a deposit a provision concerning the type of deposit (Article 16, Paragraph 1; Article 19, Paragraph 1; and Article 24);
- 5) if it does not administer or indicate separately the savings deposits or other resources of individuals and credits granted from those resources (Article 23);
- 6) if it does not designate users of credit or terms or purposes or percentage or other terms and conditions in the granting of credit in conformity with the measures of monetary and credit policy in the medium-term plan of the banking organization (Article 37, Paragraph 4);
- 7) if it does not inform the national bank of the republic, the national bank of the autonomous province or the Social Accounting Service of a decision made to terminate operation (Article 165).

The person responsible in the banking organization shall also be subject to a fine of not less than 500 and not more than 20,000 dinars for a misdemeanor for the action referred to in Paragraph 1 of this article.

Article 231

An individual shall be subject to conviction for a misdemeanor and a fine of not less than 500 and not more than 10,000 dinars if he uses credit for a purpose which has not been specified in the contract concluded for the credit (Article 38, Paragraph 2).

Part Six. Transitional and Final Provisions

Article 232

Banking organizations established before the date when the Law on the Bases of the Credit and Banking System (SLUZBENI LIST SFRJ, No 2, 1977) took effect

shall institute their organization and bring it into conformity with the provisions of this law within a period of 1 year from the date when this law takes effect.

Article 233

The provisions of the contract or self-management act to establish a commercial bank established before the date when the Law on the Bases of the Credit and Banking System (SLUZBENI LIST SFRJ, No 2, 1977) took effect and which pertain to the liability of the founders of the commercial bank for the obligations of the commercial bank shall remain in effect until those obligations are met unless the signatory of the contract or self-management act establishing the commercial bank enters into a self-management accord concerning entry into association to form the same banking organization.

The provisions of Paragraph 1 of this article shall also be appropriately applied in case of the termination of operation of a commercial bank established before the date when that law took effect.

Article 234

The resources in the founders' fund, the special reserve fund and the business fund of banks established before the date when the Law on the Bases of the Credit and Banking System (SLUZBENI LIST SFRJ, No 2, 1977) took effect shall be used to form the joint and several liability fund, reserve fund, special liquidity reserve and fund of fixed capital, in conformity with the self-management accord on entry into association to form the bank.

Article 235

The special credit funds of banks for housing and municipal service construction shall terminate operation on the day when the Law on the Bases of the Credit and Banking System (SLUZBENI LIST SFRJ, No 2, 1977) took effect.

The bank shall transfer the resources of special credit funds for housing and municipal service construction to a separate account. Those resources comprise the resources of the republic, the autonomous province and the opstina for housing and municipal service construction.

Use of the resources referred to in Paragraph 2 of this article shall be regulated by regulations of the republics and autonomous provinces and by decisions of opstinas.

Article 236

The provisions of Article 21, Paragraph 7; Article 48, Paragraph 5; Article 56, Paragraph 3; and Article 57, Subparagraph 6, of this law shall take effect as of 31 March 1984.

Article 237

The bank shall distribute undistributed resources of the credit fund for housing and municipal service construction to the social juridical persons who pooled the capital to form that fund.

INITIAL RESULTS OF NEW BANK INTEREST RATES DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 20 Jul 84 p 4

[Text] All the banks differentiate interest rates according to priorities and, mainly, sort them according to the directions emphasized by credit-monetary policy, the basic element of which is the limitation of the growth of the banks' investment. Some banks have made the effort to introduce selective interest rates for investment credits too. The comparison of new and old interest rates shows that this year the interest rate margin will decrease.

New interest rates have been applied since May of this year. They are new not just because they are much higher than the previous ones, but also because minimal interest rates have been established below which banks must not go. They are also new because of the present fast inflation they appreciate deposits, including those belonging to industrial organizations of associated labor. They are certainly new also because they alleviate the depreciation of the citizens' savings.

One should not doubt that the power of new interest rates and of the new policy as a whole, will be reflected in the joint income of commercial banks, while for the income of organizations engaged in material production this has already been, with much lower interest rates, a bottomless pit. Having all this in mind, it is understandable why banks are recomputing fast. There were many details about it in the information from the basic banks of the Associated Belgrade Bank, published in the June issue of UDRUZENA BEOGRADSKA BANKA. This information also shows that there are many interest policies, although the first and the basic task of the Banks' Self-Management Agreement on Interest Rate Policy has been to coordinate interest policy

Smaller Mass of Interest Rates Margin

All banks differentiate interest rates according to priorities and sort them mainly according to directions emphasized by the credit-monetary policy, where the limitation of the growth of bank investments is the basic element. Some banks have made the effort to introduce selective interest rates for investment credits too. The opportunity to foster or slow down the development of some activities, probably according to the needs of local circumstances, has been taken advantage of.

There are banks that will now stimulate, by means of interest rates, for example, the development of trade, while others will aim at stimulating current business operations. The Agrobanka put the emphasis on primary agricultural production, and this time some banks took the advantage to change the interest rates on credits for the housing construction. The problem of export was solved by means of determining the interest rates. Taught probably by their bad experience, some banks set up the highest rates (45 percent) for claims resulting from the payment of guaranteed bill of exchange.

Some banks were certainly right in determining the most unfavorable interest rates for liquidity credits, but the most favorable credits are those for agriculture. There are such examples too: the highest interest rate is paid by organizations which are not members of the bank from which they borrow money. Taking advantage of high interest rate, some banks naturally limited nonselective credits, and so on.

A Burden To the Producers Income

Investbank made an estimate, by comparing new and old interest rates, which shows that the interest rates margin will diminish this year. The mass of passive interest on the average total source of funds--about 190 billion dinars--at the average pre-1 May rate of 9 percent amounts to 17 billion dinars. The new average rate is 11 percent, and Investbank must pay 21 billion dinars of passive interest. The average bank investments this year will amount to about 159 billion dinars. The mass of active interest, at the average rate of 15.4 percent before the May change--was around 24.5 billion dinars. With the new average rate of 17.2 percent, the bank should collect 27.7 billion dinars in interest. Thus the interest margin with the new interest rates will be 6.7 billion dinars, and had the old relations remained, the interest margin would have been 7.5 billion dinars and credit users would be less burdened.

Beobank has calculated that it will pay 2,631 million dinars of passive interests this year. The total effect of the increase of interest rates on credits and other investments after 1 May, assuming that 80 percent will be collected, has been estimated at 2.433 billion dinar. Here, too, it is obvious that the interest margin has diminished, as the analyses of other banks have also shown.

Beobank went further, however: It calculated how much greater an outlay, at the burden of income, it will be for the Beobank members. The May interest rate changes will influence the increase of income on deposited funds which will amount to 522 million dinars and on the increase of expenditure on used credits in the amount of 2,212 million dinar. This means that the producers using the Beobank will be burdened with 1,690 million dinars more.

The participation of interest in the income of producers members of Beobank was 11.4 percent last year and 7.9 percent in 1982. With the interests paid to Beobank only--while producers pay interest to others, too--the members' income in 1984 would be burdened by 12.5 percent. The producers' costs will also increase because of the effect of corrected interest rates in July 1983 as

well as because of a 19 percent greater use of credits this year.

It is estimated that the producers' business operation expenses in 1984 will amount to 17,730 million dinars, while last year they were only 17,370 million. The producers' outlay for interests will increase this year by 76 percent.

In the last few months, there was a lot of talk about the fact that higher interest rates and more expensive credit could and should reduce the indebtedness of the industry. It is true that this method can help the industry to reduce the burdening of its income with interests. But there is still no answer to the question on how our industry, could accomplish this since it has never had sufficient working capital of its own, but has used bank credits. Its accumulation has never been sufficient to satisfy its current needs and development. The way out, which was completely wrong and inappropriate, as we now know, consisted in the use of the accumulation borrowed from abroad.

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DECLINE IN VOLUME OF INVESTMENTS IN FIXED ASSETS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3 Jul 84 p 4

[Article by C. Milanovic: "A Faster Decline in Real Level of Investments"]

[Text] A real decline in the total volume of investments in fixed assets by approximately 11 percent is projected for this year. It is thought that the actual decline in investment will be greater than intended. Investments carried over from last year are a part of this year's structure. An unfavorable sector distribution of available investment potential exists. The share of available funds for investment in the energy-raw materials sector has been reduced. The share of free, available investment potential in the majority of areas in the manufacturing industry has been increased significantly.

The first phase of the Long-Range Economic Stabilization Program determines investment policy for this year. Accordingly, the basic tasks of investment policy are to continue to coordinate investments with real material and financial capacities, to allocate increasing amounts of available investment funds for a more expeditious completion of projects under construction; these are primarily projects which should contribute to the increased export of goods and services, especially to areas using convertible means of payment, and which contribute to rational substitution of imported basic raw materials and materials for reproduction, to the production of domestic source energy, food and rail cars, to the development of the small-scale economy, and to the start of necessary projects whose goal is to guarantee a continuity of production. A selective and restrictive investment policy, combined with reduced possibilities for short-term bank sources to flow out into long-term investments, should also contribute to the implementation of these policies.

This year's investment policy, whose goal is to compensate for negative results, should also help strengthen self-financing investments by increasing the accumulative and reproductive capabilities of the economy, and by increasing the supply of domestic equipment, in order to establish at an acceptable level a balance between resources available for investment and supply of investment goods.

On the basis of all these projections, a further reduction in the level of total investments in fixed assets of approximately 11 percent and a reduction of about 14 percent in the social sector should come about during 1984.

In this way, the participation of investment in fixed assets of social product should fall to 23 percent, compared to 26 percent in 1983, while the decline in the social sector should amount to 19.5 percent, compared to last year's 23 percent.

High Nominal Growth of Outlays

An analysis of investment policy implemented during the current year indicates that during the first quarter a high nominal growth in investment outlays took place. Outlays increased by 34 percent compared with the first quarter of last year (it is typical that outlays during the first quarter represent 18 to 19 percent of total annual investments, and it follows that quarterly outlays for this year should amount to approximately 1,050 billion dinars, or a level approximately 37 percent above that achieved in 1983). It is thought that these outlays dynamics result from a stronger position with regard to settling outstanding obligations for operations from last year.

The increase of outlays from funds owned by work organizations in the economy is very high. In all, it comes to 53 percent. This has caused their participation to increase to 48.6 percent, compared to 43.7 percent for the same period last year. This sort of activity can only partially be explained by increased investment potential based on business operation results during last year. True, funds realized for investments totaled 772 billion dinars. This amount is burdened by payment obligations for investment credits equal to approximately 45 percent of the total, so resources available for investment intentions amount to 423 billion dinars. The result is that investment outlays have become a burden on funds for current reproduction, and obligations regarding investment credits to domestic banks have been postponed.

Another important characteristic of current investment policy is a trend of faster growth of outlays for economic investments. These outlays increased by 35.3 percent, and thus their share increased from 73.5 percent to about 74 percent in total outlays for investment. Characteristically, outlays have increased particularly in the following areas--hotel management and tourism (118.1 percent), financial and other services (81.4 percent), handicrafts (78.3 percent), transportation (48.8 percent), and commune activities. In the area of waterpower engineering, outlays fell by about 1 percent, while in other economic areas growth of outlays for investment were below the average for the economy as a whole.

In spite of expectations, outlays for noneconomic investments were very high during the first quarter. Excluding housing construction, these outlays increased by 73 percent. These movements are the result of a significant investment potential formed by funds being set aside for financing public works through self-management interest communities. Outlays for housing construction increased by 18 percent, as a result of interruptions in the initial stage of construction of apartments in new locations.

Trend Uneven In Republic and Provinces

It is apparent that the relatively high increase in fixed asset investment outlays during the first quarter was unevenly distributed by republics and provinces. The main ones having increases in these outlays were Slovenia, Croatia, and Bosnia-Herzegovina; they accounted for approximately 76 percent of the increase in outlays for fixed assets, and their share increased from 50.1 percent to 56.7 percent of total outlays for investment in fixed assets. For sake of illustration, payments increased by 70 percent in Slovenia, and accounted for 26 percent of the total increase, outlays increased by 51 percent in Bosnia-Herzegovina which accounted for 23 percent of the total growth, and they increased by 42 percent in Croatia, accounting for 27 percent of the growth of total outlays.

Further analysis indicates that the high rate of growth in outlays in Slovenia came from greater investment in economic areas (74 percent), but also from high growth of investments in noneconomic areas (60 percent). Moreover, the increase in outlays for noneconomic areas excluding housing construction was especially high. Within the structure of economic investments, industry, with an increase in investment outlays of 53 percent, was at the bottom of the ladder. At the top were financial and other services, handicrafts, communal activities, hotel management and tourism, construction, agriculture, and trade. Growth ranged from 72 percent to 306 percent in these areas.

Investments in economic areas in Bosnia-Herzegovina determined the high level of investment outlays. The increase in investment outlays for economic areas was 68 percent, and was only 21 percent for noneconomic areas. Large increases in outlays were noted in handicrafts, financial and other services, waterpower engineering, hotel management and tourism, agriculture, industry and mining.

Economic investments accounted for the major part of the growth in outlays for investment in Croatia--88 percent--considering that they increased by 54 percent. The growth in noneconomic investments was only 17 percent, primarily because of the drop in investment in housing construction. High investment growth rates were noted in hotel management and tourism, transportation and communications, handicrafts, industry and mining, and commune activities.

In other republics and provinces, investment growth was low, and ranged from 11 percent in Kosovo to 19 percent in Montenegro.

The large differences in dynamics of investments by republics and provinces were also accompanied by the fact that in the majority of economically undeveloped republics, and in Kosovo, a very modest rate of growth of outlays was achieved. This growth, excluding that of Bosnia-Herzegovina, averaged 16 percent, which caused participation in total outlays for investment in fixed assets to fall from 15.7 percent to 13 percent.

Real Decline in Total Investments Greater Than Projected

The trends in the second quarter and the worsening of the economic situation of work organizations in the economy indicate that a trend toward easing investment activity in the second half of the year will strengthen. This will be unfavorably reflected on the realization of the investment policy for the year. Thus, the present trends and the previous forecast on the trend in the second half of the year lead one to the conclusion that the decline in the real level of investment in fixed assets in the social sector this year will intensify and reach 14 percent, while a decline of 13.5 percent was planned by the resolution. With regard to the calculation that we will get a modest growth of about 1.5 percent, in the real level of investment in the private sector, it is through that the real level of investment in fixed assets will decrease by about 11 percent, compared to the anticipated decline of 10.7 percent. This will result in a reduction in the participation of investment in fixed assets in total social product to about 23 percent, and in the social sector alone to about 20 percent, and this represents the lower limit of necessary participation.

Investments not completed last year, which were carried over to this year, are a part of the structure of economic investments for 1984. Thus an additional 630 billion dinars must still be invested for the completion of these investments, of which about 480 billion dinars are in the area of industry (205 billion dinars in the energy sector, about 80 billion dinars in the production of raw materials and materials for reproduction, and about 190 billion dinars in other areas of industry). A special problem is the time-consuming construction of projects in the energy-raw materials complex.

The sector distribution of available investment potential, which was determined on the basis of business results during last year, will influence the intensity of structural change this year.

This distribution is characterized by a reduction in the percentage of funds available for investment in the energy-raw materials sector. Thus, participation of the electrical industry, coal production, and oil and gas production in funds available for investment in industry has been lowered from 23.8 percent to 20.9 percent. Similarly, the situation with regard to several areas in the production of raw materials, especially in the production of nonferrous metal ores, the production of nonferrous metals, and the production of chemical products, has worsened noticeably. The loan payments in these areas have exceeded the money set aside for investment. In contrast, the share of free, available investment potential in the majority of areas of the manufacturing industry has increased significantly.

It is understandable that this sort of financial distribution for investment further strains the problem of reallocation of funds for investment in the energy-raw materials sector, in which a massive investment program is being carried out which is important in many respects for the more rapid and more synchronized development of the country.

Changes, which are imposed as something necessary, can be attained above all by strengthening reproduction and revenue connections and by associating resources on this basis, as well as by selective credit policy.